

Indian Securitisation Awards, 2018

An initiative by



**INDIAN
SECURITISATION
FOUNDATION**



Background

As the securitization market in India is on a definitive upswing, it is time to recognize performance, innovation and service. Awards are not merely a sense of accomplishment – awards are to encourage players to move to better services and consistent performance.

This is the second edition of awards and they will be announced and presented by the Indian Securitisation Foundation at the 7th Securitisation Summit 2017 on May 25, 2018 at World Trade Center, Cuffe Parade, Mumbai.

Categories of Awards



Best Trustee of the Year



Best Arranger of the Year

Best Law Firm of the Year



Most Innovative Deal of the Year



Jury Members



Dr. Frank J Fabozzi
Internationally acclaimed
economist, writer and investor



Mr. Ron Dadina
Bank of Tokyo, Mitsubishi



Mr. V S Rangan
Executive Director
HDFC Limited



Mr. Kailash Baheti
Chief Financial Officer
Magma Fincorp Limited



Mr. Kalpesh Gada
Independent Consultant



Prof. Vaidyanathan Krishnamurthy
Resident Finance Faculty, Indian
School of Business & Visiting
Faculty, University of Connecticut



Mr. Devang Gada
Sole Proprietor
Sattva Consultants



Ms. Leena Chacko
Partner
Cyril Amarchand Mangaldas

Best Trustee of the Year

Catalyst Trusteeship Services Limited

- **Current client base:** Shriram Transport Finance Company Limited, Cholamandalam Finance and Investments Company Limited, L&T Finance Limited, Capital First Limited, AU Small Finance Bank , Hinduja Leyland Finance Limited, Magma Fincorp Limited, SREI Equipment Fin Ltd, Deewan Housing Finance Limited, Tata Motors Limited, Bajaj Finance Limited, Northern Arc Capital Limited, Vivriti Capital, Home Credit India Finance Private, Limited , India Infoline Finance Limited , Manappuram Finance Ltd , IndiaBulls Housing Finance Limited, Reliance Commercial Finance Ltd, Reliance Home Finance Ltd, Ess Kay Fincorp Limited , Fullerton India Credit Company Ltd, Bandhan Bank , Belstar Investment and Finance Private Limited, , Bharat Financial Inclusion Limited, Satin Credit Care Network Limited, Jana Small Finance Bank Limited ,Ujjivan Small Finance Bank Limited etc.
- **Number of years in the securitisation industry:** 4.5 years
- **Total number of transactions during the year 2017-18:** 600 transactions
- **Total value of the receivables handles during the year 2017-18:** Rs 72,400 crores
- **Total value of the receivables handled during the lifetime:** Approx Rs 1,80,000 crores
- **Total value of the receivables currently under management:** Rs 80,000 crores
- **Innovative structure handled during the year:** Vendor Receivable, CLO, Education Loan, Consumer Durables etc.
- **Number of employees in the company:** 70

Best Law Firm of the Year

Wadia Ghandy & Co.

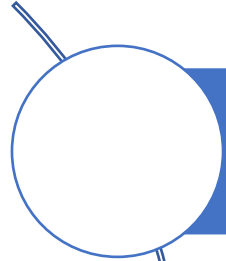
- **Current client base:** To name a few: Au Financiers (India) Limited, Au Small Finance Bank, Barclays Bank PLC, Citibank N.A., DBS Bank, DHFL, Edelweiss Retail Finance Limited, HDFC Bank, Home Credit Finance India Private Limited, HSBC, ICICI Bank, Magma Fincorp Limited, Reliance Capital, Shriram Transport Finance Company Limited.
- **Number of years in the securitisation industry:** 18 years
- **Total number of securitisation transactions during the year 2016-17:** More than 200
- **Type of transactions handled during the year:** Every structure that is being used in the Indian market.
- **Innovative structure handled during the year:**
 1. Subscription by the originator towards one of the tranches of PTCs, towards providing credit enhancement.
 2. Securitisation of rent receivables.
- **Number of partners/ employees:** 30 partners and 94 associates in Mumbai office. Out of the above 3 partners along with a team of 18 associates specifically look at securitization transactions.

Best Arranger of the Year

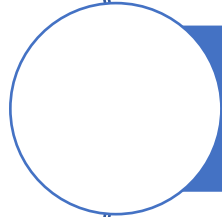
Key considerations for the Jury

- *The following criteria was mentioned in the Invitation document:*
 - *Current client base*
 - *Number of years in the securitisation industry*
 - *Total number of transactions handled during the year 2017-18*
 - *Total value of the receivables placed during the year 2017-18*
 - *Total value of the receivables placed by the company*
 - *Innovative transactions handled during the year*

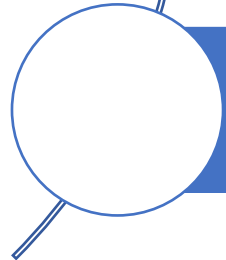
Nominations



Muthoot Microfin Limited



ICICI Securities Primary Dealership Limited



Northern Arc Capital Limited

Muthoot Microfin Limited

- **Number of years in securitisation industry:** 2 years and 3 months; Since January 2016
- **Total number of transactions handled during the year 2017-18:** 46 Transactions: MML is managing 46 Securitisation transactions which include 14 PTC and 32 Direct Assignments.
- **Total value of receivables placed during the year 2017-18:** INR 1,353.81 Cr. MML has done 17 Direct Assignment transactions in FY 18. MML has managed 35% of total Portfolio under securitisation at all times during FY 18.
- **Total value of receivables placed by the company:** INR 2,764.79 Cr. Total volume of Securitisation is generated from 46 Transactions in 2 year 3 Months.
- **Number of employees in the company:**
- **Innovations in securitisation deals in FY18:**
 - ✓ The Company carried out 4 transactions during the year and total transaction amount stands at Rs. 280Cr. The Direct Assignment structure with Dhanlaxmi bank was done as a bilateral transaction without the Trustee Involvement. The Agreement is between both Company and Bank to buyout the portfolio and no SPV is created. The Loss Estimation which is usually taken from the Rating Agency was not done instead an appraisal from the Bank on the portfolio was conducted. The structure is very lean with minimal operational hassle, its cost effective, swift and processing time of transaction (TAT) is very less.

ICICI Securities Primary Dealership Limited

- Number of years in securitisation industry: 18 years
- Total number of transactions handled during the year 2017-18: 2
- Total value of receivables placed during the year 2017-18: INR 180 crores
- Total value of receivables placed by the company: INR 600 crores
- Innovations in securitisation deals in FY18: NA

Northern Arc Capital Limited

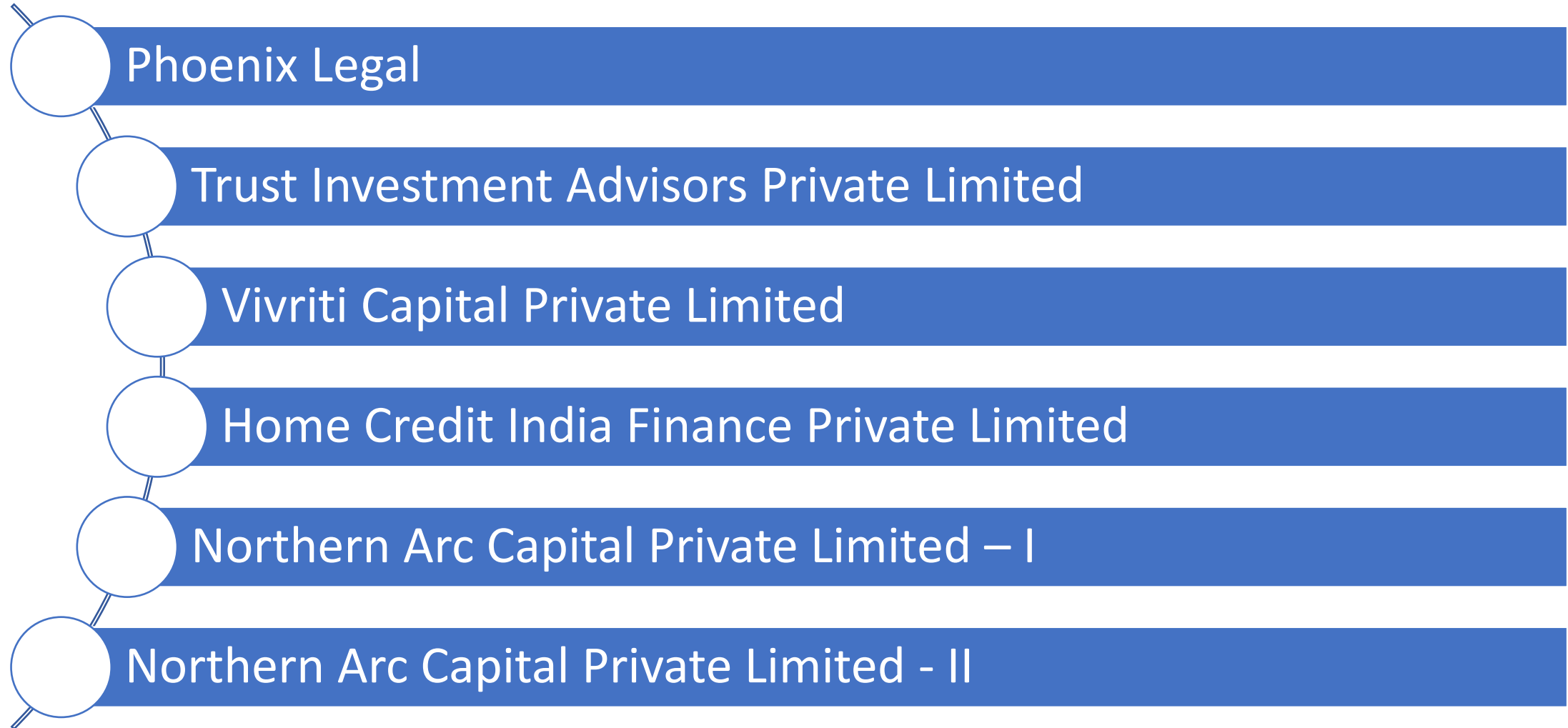
- **Number of years in securitisation industry:** 9 years
- **Total number of transactions handled during the year 2017-18:** In total, 72 PTC transactions and 12 Assignment transactions with originators across asset classes like Microfinance, Commercial Vehicle Finance, Small Business Loans, Consumer Durable Loans and Affordable Housing Finance Loans.
- **Total value of receivables placed during the year 2017-18:**
 - ✓ PTC – INR 3134.92 crores
 - ✓ DA – INR 660.08 crores
 - ✓ Total – INR 3795 crores
- **Total value of receivables placed by the company:**
 - ✓ PTC – INR 23,007.55 crores
 - ✓ DA – INR 4,352.42 crores
 - ✓ Total – INR 27,359.96 crores
- **Innovations in securitisation deals in FY18:**
 - ✓ CLO
 - ✓ Guarantee Backed Bonds (PCE Bonds)
 - ✓ Consume Durable Loans as a New Asset Class, also did cash loan securitisation.
 - ✓ Diversification of Investor base(Multiple transactions with HNIs)
 - ✓ Pooled Loan Issuances (akin to MOSEC with added bonus of On-Balance sheet exposure)

Most Innovative Deal of the Year

Key considerations for the Jury

- *The following criteria was mentioned in the Invitation document:*
 - *Deal structure*
 - *Easiness of execution*
 - *Innovation in the structure*
 - *Major plus points of the structure*
- *Since the award is for the most innovative **deal**, we have accepted multiple entries from the same entity as well.*

Nominations



Phoenix Legal

- **Originator:** Satin Creditcare Network Limited
- **Nature of transaction:** PTC, PAR with ultimate payout structure
- **Volume of receivables securitised:** Rs. 243 crores
- **Asset class:** Microloans
- **Ratings:** Yes, ICRA, A-[SO]
- **Key features:**
 - ✓ Credit enhancement placed as inter-corporate deposit with an NBFC, instead of cash collateral with a bank
 - ✓ a separate fixed tripartite deposit placement letter was entered into between the NBFC, the originator (Satin Creditcare Network Limited (**SCNL**)), and the trustee (Catalyst Trusteeship Limited).
 - ✓ The placement letter also recorded the manner of utilization of the fixed deposit, its assignment to the trust, and the unhindered ability of the trustee to call on the fixed deposit in terms of the transaction documents.
 - ✓ This helped to bring down the negative carry on the cash collateral
- **Number of investors:** N/A
- **What feature of this transaction marks a new innovation, tried for the first time in FY 2017-18?**
 - ✓ Usually cash collateral is placed as fixed deposits with bank, but for the first time cash collateral was placed as inter-corporate deposit with another NBFC
- **State the manner in which this transaction create new trend, opens a new class of assets or investors, or generally will take the securitisation market in India forward?**
 - ✓ This structure would allow the originators to bring down negative carry on cash collateral, thereby reducing the overall cost¹⁸

Trust Investment Advisors Private Limited

- **Originator:** UP Power Corporation Limited
- **Nature of transaction:** Bonds uniquely credit enhanced through DSRA support and escrow of subsidy receivables
- **Amount involved :** Rs. 4498 crores
- **Asset class:** Discom receivables
- **Ratings:** Yes, A+[SO] by CRISIL/ India Ratings & AA- [SO] by Brickworks
- **Key features:**
 - ✓ Bonds with credit enhancement through Debt Service Reserve Account and escrow of subsidy receivables
 - ✓ Further guarantee by Uttar Pradesh State Government
 - ✓ Carries exclusive charge on the receivables of the issuer with minimum cover of 1.1 times during the tenor of the bonds.
- **Number of investors:** N/A
- **What feature of this transaction marks a new innovation, tried for the first time in FY 2017-18?**
 - ✓ **Default Escrow Account:** UPPCL opened up a specified bank account called “Default Escrow Account” in which all the subsidy receivable from State government would get credited. This subsidy amount, both present and future would remain hypothecated in favour of debenture trustee and can be used to replenish the DSRA when it gets impaired.
- **State the manner in which this transaction create new trend, opens a new class of assets or investors, or generally will take the securitisation market in India forward?**
 - ✓ **High Safety:** These bonds have 5 level safety ring fencing viz. Escrow A/c mechanism, State Government Guarantee, Charge on subsidy, Debt Service Reserve A/c & Security against receivable. These safety features substantially enhance the credit quality of the bonds.

Vivriti Capital Private Limited

- **Originator:** Avanse Financial Services Limited
- **Nature of transaction:** India's and Asia's first securitization transaction backed by receivables from education loan to students spread across 506 institutions from 26 countries
- **Volume of receivables securitised:** Rs. 108.43 crores
- **Asset class:** Educational loans
- **Ratings:** Yes, CRISIL, AA-[SO]
- **Key features:**
 - ✓ Pool selection of the underlying pool was done recognising the unique characteristics of the asset class.
 - ✓ Accrued Interest on loans with moratorium (a common feature in education loans) was redrawn; bifurcated into principal & interest component to draw up aggregated receivables.
 - ✓ Past cashflow patterns of individual loan contracts were carefully analysed to arrive at only ever current loans and minimize the long tail of the structure.
 - ✓ Detailed loss estimation was carried out using different scenarios and multiple rounds of discussion where held with CRISIL to estimate the optimal credit enhancement on an untested asset class in PTC space.
- **Number of investors:** N/A

Vivriti Capital Private Limited contd..

- **What feature of this transaction marks a new innovation, tried for the first time in FY 2017-18?**
 - ✓ Established a benchmark for future education loan securitization. Allowed Avanse to invest in Series A2 tranche to make structure more capital efficient
- **State the manner in which this transaction create new trend, opens a new class of assets or investors, or generally will take the securitisation market in India forward?**
 - ✓ Transaction helps building a market for NBFCs (including Avanse) for asset class which was absent from Indian PTC market. The market feedback on education loans seems to be influenced by less than impressive performance of portfolio on leading banks- however the strong performance of this deal until now validates and helps in building vintage of the product widening the investor base for the sector. Originator is also able to diversify means of funding at competitive cost (in line of cost of funds) and was able to achieve capital relief on the underlying portfolio by investing in equity tranche over and above MRR.

Useful link: <https://www.crisil.com/en/home/newsroom/press-releases/2018/03/education-loan-receivables-newest-asset-class-to-be-securitised-in-india.html>

Home Credit India Finance Private Limited

- **Originator:** Home Credit India Finance Private Limited
- **Nature of transaction:** PTC.
- **Volume of receivables securitised:** First deal was Rs. 165.10 crore and total deal amount till March 2018 was approximate Rs. 284 crore.
- **Asset class:** Zero interest consumer durable loans
- **Ratings:** Yes, First deal, senior tranche was rated at CARE A-(SO). For other 3 deal senior tranche was rated at CRISIL A1(SO).
- **Key features:**
 - ✓ Underlying asset was consumer durable loans at zero interest with weighted maturity of around 3 months
 - ✓ There was no interest component so coupon was serviced through over collateral portion
- **Number of investors:** N/A
- **What feature of this transaction marks a new innovation, tried for the first time in FY 2017-18?**
 - ✓ For the first time consumer durable loans were tried in the country
 - ✓ Also, the underlying loans did not carry any interest, therefore, the coupon servicing was done from over collateralization. This is a unique structure, which no one has tried before.

Home Credit India Finance Private Limited contd..

- State the manner in which this transaction create new trend, opens a new class of assets or investors, or generally will take the securitisation market in India forward?
 - ✓ In this structure originator would be able to raise funds for short term (say 3-4 month) against unsecured portfolio having no interest component.
 - ✓ For the financial industry perspective, this new structure (and product segment) would help the originators who have such kind of short tenure products to raise fund through this alternative source of securitisation structure.
 - ✓ This will also open up a fresh investment opportunity for various investors who are willing to invest in retail segment and even test the product with short tenure investment.

Useful links:

- ✓ <https://economictimes.indiatimes.com/industry/banking/finance/banking/dcb-bank-ifmr-capital-invest-in-home-credit-india-finances-loan-securitisation/articleshow/61754955.cms>
- ✓ <https://www.moneycontrol.com/news/business/companies/czech-republic-based-home-credit-india-completes-consumer-durables-loan-securitisation-raises-rs-153-crore-2445013.html>
- ✓ <https://www.vccircle.com/home-credit-india-raises-23-5-mn-through-loan-securitisation/>

Northern Arc Capital Limited - I

- **Arranger:** Northern Arc Capital Limited
- **Nature of transaction:** Single Issuer Partially credit enhanced non-convertible debentures (PCE-NCD)
- **Volume of debt raised:** Rs. 110 crores across 4 transactions
- **Asset class:** N/A
- **Ratings:** Yes, India Ratings
- **Key features:**
 - ✓ Partially Credit Enhanced Non-Convertible Debentures(PCE-NCD) as viable high rated on-balance sheet instruments offering an extra layer of credit protection in the form of unconditional irrevocable partial guarantee (PCE) by high rated guarantors.
 - ✓ The Guarantor (s) shall provide an unconditional, irrevocable, payable on demand guarantee, favouring the Debenture Trustee that covers a percentage of the initial outstanding principal value of the total Identified Debentures. The guarantee shall be enforceable in tranches as and when required.
 - ✓ The Senior, secured Issuances have been subscribed by, a highly sought after, Mutual fund (MF) & Alternative Investment Fund (AIF) category of investors. The investors take on a lower residual risk on an enhanced rating.
- **Number of investors:** N/A
- **What feature of this transaction marks a new innovation, tried for the first time in FY 2017-18?**
 - ✓ A one of kind structure to address investor comfort for on-balance sheet debt instrument related to lower rating entities. Optional acceleration from pool cashflows based on rating triggers provides extra comfort to investors

Northern Arc Capital Limited – I contd..

- State the manner in which this transaction create new trend, opens a new class of assets or investors, or generally will take the securitisation market in India forward?
 - ✓ PCE, with its on-demand credit protection feature enables the issuance rating (qualifying as a Structured Obligation- SO) to exceed the issuer rating, in process providing cost benefits via coupon pricing [on a higher rated instrument] than a plain vanilla issuance. Apart from certain cost benefits, Issuers with lower rating suffer from Investor base concentration, which in times of market duress, can threaten the Asset-Liability equilibrium. Moreover, certain investor groups are limited in their ability to invest below a rating category. PCE acts as a perfect bridge in the issuer-investor expectations, where Investors take up a lower residual risk and Issuer taps the capital markets irrespective of the standalone rating.
 - ✓ **Major plus points of the structure from Issuer's viewpoint:** The product is an excellent route for Issuers to:
 - Diversify Investor base with ability to tap capital markets at will;
 - Significant cost benefits from higher rated on-balance sheet instruments
 - Domino effect on cost base of Issuer's other liabilities
 - ✓ **Major plus points of the structure from Investor's viewpoint:** The product is an excellent route for Investors to:
 - Higher rating translating to significant reduction in regulatory capital charge
 - Diversified Issuer's to hedge the sector level risks
 - Investment comfort derived from Third party Guarantee and ease of access to collateral pool [basis rating triggers].

Northern Arc Capital Limited - II

- **Arranger:** Northern Arc Capital Limited
- **Nature of transaction:** Collateralised Loan Obligation
- **Volume of receivables securitised:** Rs. 114 crores
- **Asset class:** N/A
- **Ratings:** Yes, Senior tranche was rated at A(SO) while junior tranche got a rating of BBB+(SO). Subsequently the tranches have been upgraded by the rating agency to A+(SO) and A(SO) respectively.
- **Key features:**
 - ✓ Under this structure, Northern Arc assigned senior secured and senior unsecured term loans given to four NBFCs to a SPV. The SPV in turn issued PTCs backed by receivables from these term loans.
 - ✓ The senior tranche was subscribed by a mutual fund whereas a NBFC invested in the junior tranche. Originator provided unfunded first loss credit enhancement, the performance of which was backed by bank guarantee and cash collateral.
- **Number of investors:** N/A
- **What feature of this transaction marks a new innovation, tried for the first time in FY 2017-18?**
 - ✓ This was India's first term loan receivables securitisation transaction (classis Collateralised Loan Obligation transaction) post the issuance of 2006 Securitisation Guidelines.

Northern Arc Capital Limited – II contd..

- State the manner in which this transaction create new trend, opens a new class of assets or investors, or generally will take the securitisation market in India forward?
 - ✓ The structure improves the liquidity of term loans in the secondary market which over time can lower costs to the borrowers in the wholesale lending market. This also helps Originators free their limit on the names being sold down and can potentially bring capital release as well.
 - ✓ From an investors' point of view, they can take exposure to a basket of underlying entities which reduces the unsystematic risk in the exposure. Furthermore, overtime after monitoring the performance of the entities in the CLO – they can take standalone exposures as well.
 - ✓ **Major plus points of the structure from originator's viewpoint:** The product is an excellent route for wholesale lenders to
 - Free limits on entities
 - Rebalance exposure across sectors/entities/geographies
 - Improve ROEs
 - Originate loans and subsequently disseminate them amongst larger market participants and earn a spread in the process.

Winners



Best Trustee of the Year

Catalyst Trusteeship Services Limited

Best Law Firm of the Year

Wadia Ghandy & Co.



Best Arranger of the Year

Northern Capital Limited

Most Innovative Deal of the Year

Vivriti Capital Private Limited





Catalyst Trusteeship Services Limited



Wadia Ghandy & Co.



Northern Arc Capital Limited



Vivriti Capital Private Limited