

CARE Ratings has assigned a rating of 'Provisional CARE A- (SO)' and 'Provisional CARE BBB- (SO)' to the Series A1 and Series A2 Pass Through Certificates (PTCs) issued by a Special Purpose Vehicle (SPV), Tarini IFMR Capital 2017. The SPV comprises Consumer Durable Asset loan receivables originated by Home Credit India Finance Pvt Ltd. (HCIF). This is the first ever rating assigned in India to a securitization transaction involving Consumer Durable Asset loan receivables

The rating is based on the credit quality of the underlying loans; the transaction structure and defined payment mechanism; support in the form of credit enhancement facility and HCIF's portfolio performance.

Lauding the development, **Mr. Rajesh Mokashi, MD & CEO – CARE Ratings**, said **"Securitisation of consumer durable asset receivables will further broaden the asset class choices available for securitisation market and cater to new investor classes looking at shorter tenure instruments. It reflects the deepening of the industry as a whole."**

TARINI IFMR CAPITAL 2017
ORIGINATOR: HOME CREDIT INDIA FINANCE PVT LTD. (HCIF)

Ratings

Instrument [@]	Amount (Rs. crore)	Tenure* (months)	Rating ¹	Rating Action	Credit Enhancement (Rs. Cr.)	
					Subordinated Principal [%]	Cash Collateral
Series A1 PTC [#]	148.59 (Rs. One Hundred Forty Eight Crore Fifty Nine Lakhs Only)	13	Provisional CARE A- (SO) [Provisional CARE A minus (Structured Obligation)]	Assigned	16.51 [§]	8.26
Series A2 PTC [#]	4.95 (Rs. Four Crore Ninety Five Lakhs Only)				Provisional CARE BBB- (SO) [Provisional CARE Triple B minus (Structured Obligation)]	11.56

Details of instruments/facilities in Annexure-1

* The tenure may change due to prepayments / foreclosures in the pool.

% Interest Payout to Series A1 and Series A2 PTCs are to be made from Principal Subordination. Based on expected interest payments, net principal subordination available for Series A1 PTC is Rs. 13.81 Cr (8.36% of POS) and for Series A2 PTC is Rs. 8.68 Cr (5.25% of POS).

The PTCs are rated on Ultimate Payment basis

§ Subordinated Principal includes Series A2 Principal and Over Collateral for Series A1 PTC.

Detailed Rationale & Key Rating Drivers

CARE has assigned a rating of 'Provisional CARE A- (SO)' [pronounced as 'Provisional CARE A minus (Structured Obligation)'] to the Series A1 PTCs and 'Provisional CARE BBB- (SO)' [pronounced as 'Provisional CARE Triple B minus (Structured Obligation)'] to the Series A2 PTCs issued by Tarini IFMR Capital 2017 backed by Consumer Durable Asset loan receivables originated by Home Credit India Finance Pvt Ltd. (HCIF).

The rating for PTCs is provisional based on the structure provided to CARE by HCIF, the Originator and Assignor. The rating will be confirmed after the copies of legal documents executed in accordance with the structure, a due diligence audit report by an external auditor and an independent legal opinion is furnished by the Assignor, to the satisfaction of CARE.

The rating is based on the credit quality of the underlying loans; the transaction structure and defined payment mechanism; support in the form of credit enhancement facility and the sound legal structure of the transaction. The legal maturity of the pool is in Dec'18.

Detailed description of the key rating drivers

The credit enhancement includes Cash Collateral (CC) and Over-Collateral (OC) in the structure. Cash Collateral will be divided into First Loss Facility and Second Loss Facility. The Second Loss Facility may be in the form of guarantee, as per CARE's criteria. Series A2 PTCs are subordinated to Series A1 PTCs and thus acts as a credit enhancement. Over Collateral is fully subordinated to both Series A1 and Series A2 PTCs.

The transaction is structured at par. Collections of a particular month will be utilized to make promised interest and expected principal payouts to Series A1 PTCs, expected interest and expected principal payments to Series A2 PTCs. After maturity of Series A1 PTCs, collections will be utilized to make promised interest and expected principal payout to Series A2 PTCs. In case of shortfall in payment to Series A1 & A2 PTCs, cash collateral will be utilized only on the last payout date for making principal payouts. Till the maturity of Series A1 PTCs, prepayments during a month will be paid to Series A1

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

PTCs and will subsequently be passed to Series A2 PTCs. No principal payment shall be made to the residual beneficiary till series A1 and A2 PTCs have matured. HCIF will act as the servicer to the transaction, and the fee would be paid from the cash flows of the pool.

Key characteristics of assigned pool as on cut-off date October 31, 2017 are as below:

Description	Value
Asset Type	Consumer Durable Assets
No. of Loans	5,09,268
Pool cash flows (Rs. Cr)	165.10
Average Original Loan Amount (Rs.)	9,460
Average POS (Rs.)	3,242
Amortization (%)	65.73%
Weighted Avg. Loan to Value Ratio (LTV)* (%)	70.20%
Weighted Avg. Initial Tenure (months)*	6.45
Weighted Avg. Net Seasoning (months)*	3.83
Weighted Avg. Balance Tenure (months)*	2.62
Top 10 obligors (%)	0.02%
Top 5 cities (%)	40.07%
Top 3 States – borrower location (%)	45.29%

Key Rating Strengths:

1. Available Credit Enhancement comprising of Credit Collateral of Rs. 8.26 Cr (5.0% of POS) and Over Collateral of Rs. 11.56 Cr (7.0% of POS).
2. High seasoning of 3.83 months as compared to weighted average initial tenure of 6.45 months
3. Pool amortization of ~66% as on cut-off date.
4. There are no overdue in the pool as on pool cut-off date.
5. Geographical diversification with top state comprising 20.59% (Maharashtra) of pool

Key Rating Weaknesses:

1. Limited performance record of HCIF in lending against CDs

Analytical approach & Applicable Criteria

[CARE's methodology for Asset / Mortgage Backed Securitization](#)

Key Rating Assumptions

CARE has analyzed the transaction to assess whether the credit cum liquidity enhancement is sufficient to cover shortfalls. Since the transaction is sensitive to credit quality of the underlying pool, CARE has analyzed the performance of static pools provided by the originator and overall portfolio performance of the originator. Considering the borrower profile, nature of loan, pool characteristics, portfolio performance and credit profile of originator, CARE has assumed the shortfall between 4.0% – 6.0% of principal outstanding. The base case shortfalls were stressed along with other key factors such as the timing of shortfalls, the recovery assumptions and the time to recovery.

About the Company

Home Credit India Finance Pvt. Ltd. (HCIF) was incorporated in Oct'97 as Rajshree Auto Finance Pvt. Ltd. In 2012, the company was acquired by the Netherlands-based Home Credit Group and renamed on June 05, 2013. HCIF is a Non-Deposit taking NBFC (Non-Banking Financial Company) registered with the RBI. As at Mar'17, Home Credit B.V., the ultimate parent company, holds 99.99% stake, while the rest is held by Home Credit International a.s. HCIF currently enjoys CARE BBB (CARE Triple B) rating for long term and medium term obligations.

The company is engaged in providing loans to retail segment for two wheelers, consumer durables (mainly mobile phones, laptops and tablets) and personal loans. As of Jun'17, the company is operating in 20 states through 10,739 POS (Point Of Sale) machines, with an active customer base of 21 lakh customers.

At the end of Mar'17, HCIF had an AUM of Rs. 1,952 Cr. Nearly 48% of the AUM comprises Consumer Durable Asset loans, while 41% is personal loans and 11% of the AUM are two wheeler loans. As of Jun'17, the AUM is Rs. 2,428 Cr. The Capital Adequacy Ratio (CAR) was comfortable at 23.88% as on Mar'17, though lower than 54.51% as on Mar'16. Asset quality deteriorated, with Gross NPA ratio at 4.11% as on Mar'17; as compared to 3.87% as on Mar'16.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	233.4	616.8
PAT	-208.3	-426.1
Interest coverage (times)	-2.71	-0.96
Total Assets	860	2,355
Net NPA (%)	0.63	0.76
ROTA (%)	-35.48	-26.51

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Ramadasu Bandaru

Tel: 022-67543402

Mobile: 91-9769592242

Email: ramadasu.bandaru@careratings.com

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Series A1 Pass Through Certificates	-	-	Nov'18	148.59	Provisional CARE A- (SO)
Series A2 Pass Through Certificates	-	-		4.95	Provisional CARE BBB-(SO)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Series A1 Pass Through Certificates	LT	148.59	Provisional CARE A- (SO)	-	-	-	-
2.	Series A2 Pass Through Certificates	LT	4.95	Provisional CARE BBB-(SO)	-	-	-	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaldnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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