IFMR Capital

SECTOR / COMMERCIAL VEHICLE FINANCE

CASE STUDY : **IFMR Capital Protos**

IFMR Capital structured a transaction in 2013, assigning Pass through Certificates (PTCs) to two tranches of investors, A1 and A2, backed by receivables from Commercial Vehicle loan pools of Rs.20.46 crore. The Principal amount from A1 investor was 16.704 crore. The loan pools were originated by Esskay Auto Finance. The underlying pool was selected based on seasoning, absence of overdue contracts and ticket size capped at Rs. 3 lakh.

The Structure:

- Esskay Auto Finance Private Limited assigns future receivables arising from a selected pool of 987 loans to a special purpose vehicle Protos IFMR Capital 2013.
- The loans are assigned at par to the trust. The trust issues PTCs to A1 and A2 investors.
- Series A1 PTCs were rated A- (SO) while Series A2 PTCs were rated BB+ (SO) by ICRA. Series A1 rank higher in preference and priority over Series A2 PTCs.
- The rating was based on the strength of the cash flows from selected pools of contracts and the external credit enhancement.
- A credit enhancement was provided by way of
  - Cash collateral of 5.00% of the pool principal provided by the Vehicle Finance Company.
  - Subordination of 31.76% of pool cash-flows for A1 investors and 5% of pool cash-flow for A2 investors.

As per the transaction structure, the loan pool receivables are transferred "at par" to a Special Purpose Vehicle (SPV) and the Trust issues PTCs to A1 and A2 investors. Yields for PTC A1 PTC A2 yield are fixed. The cash-flow schedule for A1 investors comprises of principal amortization and the agreed upon interest on the principal outstanding, while for A2 the cash-flows include principal amortization and payment of interest on a monthly basis.