ICRA

August 29, 2017

Ujjivan Small Finance Bank Limited

Summary of Rated Instruments

Sr. No.	Issue Name	Instrument	Initial Amount (Rs. Crore)	Amount after Jul-17 payout (Rs. crore)	Rating action
1.	Hoshi 2016	PTC Series A1	29.54	1.19	Upgraded from [ICRA]AA-(SO) to [ICRA]AAA(SO)
2.	Phoibe 2016	PTC Series A1	49.28	5.34	Upgraded from [ICRA]A+(SO) to [ICRA]AA(SO)
3.	Ceres 2016	PTC Series A1	84.00	15.20	Reaffirmed at [ICRA]A+(SO)
4.	Maatalous 2016	PTC Series A1	108.65	34.24	Reaffirmed at [ICRA]A(SO)
5.	Fubelt IFMR Capital 2016	PTC Series A1	163.55	47.47	Reaffirmed at [ICRA]A+(SO)
		PTC Series A2	8.99	8.99	Reaffirmed at [ICRA]BBB+(SO)
6.	Hodor SBL IFMR Capital 2016	PTC Series A1	74.94	20.82	Reaffirmed at [ICRA]A(SO)
		PTC Series A2	6.03	6.03	Reaffirmed at [ICRA]BBB(SO)

Rating Action

ICRA has upgraded/ reaffirmed the ratings for PTCs under 6 loan securitization transactions originated by Ujjivan Small Finance Bank Limited (Ujjivan), as tabulated above. The PTCs in five of the transactions are backed by micro loan receivables while in one (Hodor SBL IFMR Capital 2016) they are backed by individual business and livestock loans originated by Ujjivan. The receivables have been assigned to the respective trusts at par and each trust has issued PTCs backed by the same.

Rationale

The upgrade in the ratings is on account of high amortisation of the PTC payouts under both the transactions. The amortisation has led to build up of the credit enhancement which covers the entire future PTC payouts. The break even collection efficiencies are therefore significantly below the average collection efficiencies in both these pools.

The remaining four pools are moderately amortized and hence the ratings have been reaffirmed.

A summary of the performance of the pools till June 2017 collection month has been tabulated below.

Table 1: Pool Performance Summary after July 2017 payouts (June 2017 collection)

Parameter	Hoshi 2016	Phoibe 2016	Ceres 2016	Maatalous 2016	Fubelt 2016	Hodor SBL 2016
Months post securitization	16	16	13	8	10	10
Pool Amortization	91.29%	84.69%	78.16%	64.65%	64.59%	62.85%
PTC Amortization PTC A1 PTC A2	 95.97% --	 89.15% --	 81.90% --	 68.49% --	 70.97% 0.00%	 72.22% 0.00%
Monthly Collection Efficiency[1] for Apr-17	89.73%	92.66%	92.17%	94.14%	92.70%	91.16%
Monthly Collection Efficiency for May-17	90.96%	92.03%	92.68%	96.18%	92.25%	91.38%
Monthly Collection Efficiency for Jun-17	89.74%	91.47%	90.04%	96.05%	91.62%	89.88%
Cumulative Collection Efficiency[2]	97.88%	97.55%	95.26%	93.84%	95.23%	93.10%
Loss cum 0+ dpd[3] (% of initial Pool)	4.11%	4.38%	9.03%	9.69%	8.16%	10.92%
Loss cum 30+ dpd[4] (% of initial Pool)	3.72%	4.02%	8.19%	8.66%	7.38%	9.63%
30+ dpd[5] (% of Balance Pool)	21.71%	14.19%	21.69%	13.86%	12.76%	14.59%
Cumulative Cash Collateral Utilization	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Breakeven Collection Efficiency[6] for PTC A1	0.00%	21.27%	53.45%	64.46%	62.36%	48.73%
Breakeven Collection Efficiency[7] for PTC A1 & A2	--	--	--	--	75.27%	66.08%
Credit Collateral (% of Balance Pool)	68.87%	45.73%	22.89%	15.30%	8.47%	13.46%
Principal Subordination (% of Balance Pool) for PTC A1	56.08%	32.69%	21.35%	15.93%	25.41%	34.95%
Excess Interest Spread (% of Balance Pool) for PTC A1[8]	5.31%	5.56%	5.98%	8.36%	7.28%	7.26%

Key rating drivers

Credit Strengths

- Significant amortization of PTCs resulting in adequate Cash Collateral (CC), Principal subordination and Excess Interest Spread cover available for the balance PTC payouts;

Credit Weakness

- Moderate delinquency level in the pools;
- The pools have a moderate share of contracts from some of the regions (viz, Uttar Pradesh, Maharashtra and Uttarakhand) that faced a greater impact of demonetisation

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[1] *(Total Current and Overdue collections for the month as a % of Total Billing for the month)*

[2] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*

[3] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts, as a % of Initial Pool Principal*

[4] *Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal*

[5] *Inclusive of Unbilled Principal portion of contracts delinquent(Future POS) for more than 30 days, as a % of Balance Principal*

[6] *(Balance Cashflows payable to investor of PTC A1– Cash collateral available)/ Balance Pool Cashflows*

[7] *(Balance Cashflows payable to investor of PTC A1 & A2– Cash collateral available)/ Balance Pool Cashflows*

[8] *(Pool Cashflows – Cashflows to PTC A1 – PTC A2 principal – originator's residual share)/ Pool Principal outstanding*

Description of key rating drivers highlighted above:

The performance of the pools was good till the collection month of October 2016, with the cumulative collection efficiencies above 99.5% for all the pools. However, the performance of the pools as on June 2017 collection month seems moderate with the cumulative collection efficiency in the region of 93% - 98%. This is because the monthly collection efficiency levels have declined to around 84-96% post demonetization. Though the collections have not ramped up to the pre-demonetisation levels in the recent months, the PTCs have amortised significantly resulting in build up in credit enhancement for the balance tenure of the PTC payouts.

Overall, the credit enhancement available for meeting balance payouts to the investors is sufficient to support the rating actions under the six transactions. ICRA will continue to closely monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modeling for surveillance of ABS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools, and also the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected loss during the balance tenure of the pools are as given in the table below.

Sr. No	Transaction Name	Expected Loss (% of balance pool principal)
1	Hoshi 2016	22.0% - 25.0%
2	Phoibe 2016	15.0% - 18.0%
3	Ceres 2016	20.0% - 22.0%
4	Maatalous 2016	15.0% - 18.0%
5	Fubelt IFMR Capital 2016	12.0%-15.0%
6	Hodor SBL IFMR Capital 2016	17.0%-19.0%

The prepayment rates for the underlying pools are estimated to be in the range of 12.0% - 15.0% per annum.

Analytical approach:

The rating actions are based on the performance of the pools till June 2017 (collection month), the present delinquency profile of the pool contracts, geographical spread of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement available in these transactions.

Links to applicable Criteria

Rating Methodology for Securitisation Transactions

About the Company:
Ujjivan Financial Services Ltd. (Ujjivan) was a Microfinance Institution (MFI) set up in October 2005 as an NBFC and became operational from January 2006. It was founded by Mr. Samit Ghosh, who is the Chairman and Managing Director of the company at present. Its key focus was in group loans, for which it replicated the Grameen Bank model of lending. In May 2016 the company raised Rs. 360 crore through an IPO. It had its headquarters in Bangalore, with regional offices in New Delhi, Kolkata & Pune. In October 2015, Ujjivan was one of the ten entities to obtain a Small bank license from RBI following which it started operating as Ujjivan Small Finance bank Ltd.

ICRA has assigned a rating of [ICRA]A+ (pronounced ICRA A plus); with stable outlook for the NCD's and a rating of [ICRA]A1+ for the short term fixed deposit program of Ujjivan Small Finance Bank Ltd on 21st April 2017.

For FY17, Ujjivan reported PAT of Rs. 207.67 crore on Total Assets of Rs. 8478.59 crore as against a PAT of Rs. 177.22 crore on Total Assets of Rs. 5727.32 crore for FY16. The company was adequately capitalized with a CRAR of 18.23% in FY17.

Key Financial Indicators (Audited)

	FY2016^	FY2017^
Net Interest income*(Rs. crore)	587	774
Profit after tax(Rs. crore)	177	208
Net Advances(Rs. crore)	5064	5872
Total Assets(Rs. crore)	5727	8479
% Net Profit/ Average Managed Assets	3.65%	2.92%
%Return on Net Worth	18.32%	14.06%
Net NPA/ Net worth	0.17%	0.10%

^ Pertains to Ujjivan Financial Services Ltd
* Net interest income = Interest income on Portfolio loans + Interest income on investments + Processing charges – BO Costs – Interest Expenses

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				August 2017	September 2016	April 2016	February 2016*
1.	Hoshi 2016	PTC Series A1	1.19	[ICRA]AAA(SO)	[ICRA]AA-(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)

** Initial Rating assigned*

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				August 2017	September 2016	May 2016	March 2016*
2.	Phoibe 2016	PTC Series A1	5.34	[ICRA]AA(SO)	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)

** Initial Rating assigned*

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				August 2017	September 2016	August 2016	June 2016*
3.	Ceres 2016	PTC Series A1	15.20	[ICRA]A+(SO)	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)

** Initial Rating assigned*

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years	
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating	
				August 2017	February 2017	November 2016*
4.	Maatalous 2016	PTC Series A1	34.24	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)

** Initial Rating assigned*

Sr.	Name of	Current Rating	Chronology of Rating History for the past 3

No.	Instrument				years	
		Type	**Rated amount (Rs. Crores)**	**Month-year & Rating**	**Month-year & Rating**	
				August 2017	**November 2016**	**August 2016***
5.	Fubelt 2016	PTC Series A1	47.47	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)
		PTC Series A2	8.99	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)

** Initial Rating assigned*

Sr. No.	**Name of Instrument**	**Current Rating**			**Chronology of Rating History for the past 3 years**	
		Type	**Rated amount (Rs. Crores)**	**Month-year & Rating**	**Month-year & Rating**	
				August 2017	**November 2016**	**September 2016***
6.	Hodor SBL 2016	PTC Series A1	20.82	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)
		PTC Series A2	6.03	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)

** Initial Rating assigned*

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I
Details of Instruments

<table>
<tr><th>Sr. No.</th><th>Issue Name</th><th>Instrument</th><th>Month of Issuance</th><th>Coupon Rate#</th><th>Scheduled Maturity Date</th><th>Initial Amount (Rs. Crore)</th><th>Amount after Jul-17 payout (Rs. crore)</th><th>Current Rating</th></tr>
<tr><td>1.</td><td>Hoshi 2016</td><td>PTC Series A1</td><td>Mar-16</td><td>8.90%</td><td>Dec-17</td><td>29.54</td><td>1.19</td><td>[ICRA]AAA(SO)</td></tr>
<tr><td>2.</td><td>Phoibe 2016</td><td>PTC Series A1</td><td>Mar-16</td><td>9.25%</td><td>Dec-17</td><td>49.28</td><td>5.34</td><td>[ICRA]AA(SO)</td></tr>
<tr><td>3.</td><td>Ceres 2016</td><td>PTC Series A1</td><td>Jun-16</td><td>9.35%</td><td>Apr-18</td><td>84.00</td><td>15.20</td><td>[ICRA]A+(SO)</td></tr>
<tr><td>4.</td><td>Maatalous 2016</td><td>PTC Series A1</td><td>Nov-16</td><td>8.50%</td><td>Jul-18</td><td>108.65</td><td>34.24</td><td>[ICRA]A(SO)</td></tr>
<tr><td rowspan="2">5.</td><td rowspan="2">Fubelt IFMR Capital 2016</td><td>PTC Series A1</td><td rowspan="2">Aug-16</td><td>9.00%</td><td rowspan="2">May-18</td><td>163.55</td><td>47.47</td><td>[ICRA]A+(SO)</td></tr>
<tr><td>PTC Series A2</td><td>13.50%</td><td>8.99</td><td>8.99</td><td>[ICRA]BBB+(SO)</td></tr>
<tr><td rowspan="2">6.</td><td rowspan="2">Hodor SBL IFMR Capital 2016</td><td>PTC Series A1</td><td rowspan="2">Sept-16</td><td>9.25%</td><td rowspan="2">Jun-18</td><td>74.94</td><td>20.82</td><td>[ICRA]A(SO)</td></tr>
<tr><td>PTC Series A2</td><td>13.50%</td><td>6.03</td><td>6.03</td><td>[ICRA]BBB(SO)</td></tr>
</table>

 # Yield per annum payable monthly

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