

AU Small Finance Bank Limited

March 19, 2018

Summary of Rated Instruments

Sr. No.	Issue Name	Instrument	Initial Amount (Rs. Crore)	Amount o/s after Jan-18 payout (Rs. crore)	Rating action
1.	Indian Standard Loan Trust XXVIII	PTC Series A	99.91	60.04	Reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	4.75	4.75	Reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	1.00	1.00	Reaffirmed at [ICRA]AAA(SO)
2.	Indian Standard Loan Trust XXIX	PTC Series A	98.14	51.32	Reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	3.68	3.68	Reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	0.98	0.98	Reaffirmed at [ICRA]AAA(SO)
3.	Indian Standard Loan Trust XXX	PTC Series A	125.19	57.36	Reaffirmed at [ICRA]AAA(SO)
		Second Loss Facility	8.14	8.14	Reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	1.25	1.25	Reaffirmed at [ICRA]AAA(SO)
4.	Indian Standard Loan Trust XXXIII	PTC Series A	89.52	31.58	Reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	4.47	4.47	Reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	0.90	0.90	Reaffirmed at [ICRA]AAA(SO)
5.	Indian Standard Loan Trust XXXV	PTC Series A	91.00	26.51	Reaffirmed at [ICRA]AA+(SO)
		Second Loss Facility	5.46	5.46	Reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	0.91	0.91	Reaffirmed at [ICRA]AAA(SO)

Rating Action

ICRA has reaffirmed the ratings on PTCs, Second Loss Facility and Liquidity Facility under 5 loan securitisation transactions originated by AU Small Finance Bank Limited, as tabulated above. The PTCs in all the five transactions are backed by receivables from vehicle/ construction equipment/ MSME loan contracts. The receivables have been assigned to the respective trusts at par and each trust has issued PTCs backed by the same.

Rationale

The reaffirmation of the ratings is on account of amortisation of the PTCs under all the transactions. The amortisation has led to moderate build up of the credit enhancement in all the transactions.

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

Table 1: Pool Performance Summary (till December 2017 collection)

Parameter	Indian Standard Loan Trust XXVIII	Indian Standard Loan Trust XXIX	Indian Standard Loan Trust XXX	Indian Standard Loan Trust XXXIII	Indian Standard Loan Trust XXXV
Asset Class	Vehicle	MSME	Vehicle/ MSME/ CE	Vehicle	Vehicle/ MSME/ CE
Months post origination	17	17	17	16	16
Pool Amortisation	39.91%	47.71%	54.18%	64.72%	70.87%
Cumulative Collection Efficiency (%) ¹	94.51%	97.44%	96.39%	97.19%	96.19%
Loss cum 90+ dpd (% of initial Pool) ²	3.07%	1.69%	1.66%	1.28%	1.24%
Loss cum 180+ dpd (% of initial Pool)	1.77%	1.05%	0.84%	0.87%	0.78%
90+ dpd (% of Balance Pool) ³	3.18%	2.82%	2.26%	1.43%	1.52%
180+ dpd (% of Balance Pool)	1.42%	1.71%	0.86%	0.79%	0.84%
First Loss Facility (% of Balance Pool)	5.41%	5.74%	7.64%	9.94%	12.87%
Second Loss Facility (% of Balance Pool)	7.90%	7.17%	14.19%	14.16%	20.60%
Excess Interest Spread (% of Balance Pool) ⁴	9.05%	36.90%	8.91%	7.27%	11.18%

Key rating drivers

Credit Strengths

- The performance of the pools has been good with cumulative collection efficiencies in the range of 94-98% for all the pools. The monthly collection efficiency has been above 96% for the last 3 months.

¹ Cumulative collections till date / cumulative billings till date plus opening overdues

² (POS on contracts aged 90+ dpd + overdue principal+ overdue interest + Cumulative Losses) / Initial POS on the pool

³ POS on contracts aged 90+ dpd / Balance Pool Principal

⁴ (Pool Cashflows – PTC Cashflows) / Balance Pool Principal

- Due to the presence of Liquidity Facility in these pools, FLCF and SLCF have not been utilized to meet the promised principal and interest payouts to the PTCs in any of these pools.
- Moderate cover built up for the balance PTC payouts from the internal and external forms of credit enhancement in all transactions

Credit Weakness

- Moderate delinquency level in the pools especially in softer delinquency buckets

Description of key rating drivers highlighted above:

The performance of the pools has been good with cumulative collection efficiency in the region of 94%- 98% for all the pools till December 2017 collection month. All the pools have exhibited moderate delinquencies especially in the softer delinquency buckets. Shortfall in the collections has been absorbed by the credit enhancement available in the structure. Credit enhancement (as % of balance PTC payouts) has built up moderately in all the transactions from the initial levels owing to pool amortisation.

Overall, the credit enhancement available for meeting balance payouts to the investors (including downward reset in two transactions: Indian Standard Loan Trust XXX and Indian Standard Loan Trust XXXV) is sufficient to reaffirm the ratings at the current rating level in the transactions. ICRA will continue to 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 and prepayments during the balance tenure of the pools are as given in the table below.

Sr. No	Transaction Name	Expected Loss at the time of initial rating (% of initial pool principal)	Expected Loss for current exercise (% of initial pool principal)	Expected Prepayment
1	Indian Standard Loan Trust XXVIII	3.0% - 4.0%	2.5% - 4.0%	6% - 9% p.a.
2	Indian Standard Loan Trust XXIX	3.0% - 4.0%	2.5% - 3.5%	20% - 24% p.a.
3	Indian Standard Loan Trust XXX	3.0% - 4.0%	2.0% - 3.0%	8% - 12% p.a.
4	Indian Standard Loan Trust XXXIII	3.0% - 4.0%	1.5% - 2.5%	8% - 12% p.a.

5	Indian Standard Loan Trust XXXV	3.0% - 4.0%	1.5% - 2.5%	8% - 12% p.a.
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Analytical approach:

The rating actions are based on the performance of the pools till December 2017 (collection month), the present delinquency profile 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:

AU Small Finance Bank Limited (erstwhile AU Financiers (India) Limited) was incorporated in 1996 as a non-banking finance company by Mr. Sanjay Agarwal. During the early period, the company was primarily engaged in vehicle financing through funds raised from high net worth individuals in Jaipur. Over the years, the company raised equity from private equity investors at regular intervals, and expanded its product portfolio to include SME/ construction finance, and loans to NBFCs/HFCs.

In September 2015, the Reserve Bank of India granted in-principle approval to AU for setting up a small finance bank. On December 20, 2016, the company got final license to set up the SFB. Subsequently, AU transitioned from NBFC to small finance bank and commenced its banking operations from April 19, 2017. As on June 30, 2017 AU SFB operates from its 284 branches and 119 asset centers spread across 12 states/UTs.

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 bank lines of AU SFB on March 08, 2017.

Total income and profit after tax (PAT) were Rs 1,387 Crore (net of exceptional income) and Rs 305 crore (net of exceptional income), respectively, in fiscal 2017, as against Rs 1,015 crore and Rs 212 crore, respectively, in the previous fiscal. In the first half of fiscal 2018, total income (net of exceptional income), and PAT (net of exceptional income) were Rs. 927 crore and Rs. 130 crore, respectively.

Key Financial Indicators

Particulars	Unit	FY 2017	FY 2016
Total assets #	Rs. Cr.	13,655	8,814
Total income @	Rs. Cr.	1,387	1,015
PAT @	Rs. Cr	305	212
Gross NPA	%	1.9	0.9
Overall capital adequacy ratio	%	23.0	18.3
Return on assets @	%	2.7	2.8

includes securitised and off-balance sheet assets

@ figure for 2017 are net of exceptional income

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)	Amount Outstanding (Rs. Crores)	Month-year & Rating	Month-year & Rating			
					March 2018	September 2017	December 2016	August 2016*	
1.	Indian Standard Loan Trust XXVIII	PTC Series A	99.91	60.04	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	
		Second Loss Facility	4.75	4.75	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		Liquidity Facility	1.00	1.00	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	

* Initial Rating assigned

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		Second Loss Facility	3.68	3.68	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		Liquidity Facility	0.98	0.98	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	

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3.	Indian Standard Loan Trust XXX	PTC Series A	125.19	57.36	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	
		Second Loss Facility	8.14	8.14	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		Liquidity Facility	1.25	1.25	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	

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					March 2018	September 2017	January 2017	September 2016*	
4.	Indian Standard Loan Trust XXXIII	PTC Series A	89.52	31.58	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	
		Second Loss Facility	4.47	4.47	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		Liquidity Facility	0.90	0.90	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	

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					March 2018	September 2017	January 2017	September 2016*	
5.	Indian Standard Loan Trust XXXV	PTC Series A	91.00	26.51	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	
		Second Loss Facility	5.46	5.46	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		Liquidity Facility	0.91	0.91	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(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

Sr. No.	Issue Name	Instrument	Month of Issuance	Coupon Rate [#]	Scheduled Maturity Date	Initial Amount (Rs. Crore)	Amount after Jan-18 payout (Rs. crore)	Current Rating
1.	Indian Standard Loan Trust XXVIII	PTC Series A	Aug-16	7.86%	Feb-21	99.91	60.04	[ICRA]AA(SO)
		Second Loss Facility		-		4.75	4.75	[ICRA]BBB(SO)
		Liquidity Facility		-		1.00	1.00	[ICRA]AAA(SO)
2.	Indian Standard Loan Trust XXIX	PTC Series A	Sep-16	7.86%	Aug-25	98.14	51.32	[ICRA]AA(SO)
		Second Loss Facility		-		3.68	3.68	[ICRA]BBB(SO)
		Liquidity Facility		-		0.98	0.98	[ICRA]AAA(SO)
3.	Indian Standard Loan Trust XXX	PTC Series A	Sep-16	7.50%	Aug-21	125.19	57.36	[ICRA]AAA(SO)
		Second Loss Facility		-		8.14	8.14	[ICRA]BBB(SO)
		Liquidity Facility		-		1.25	1.25	[ICRA]AAA(SO)
4.	Indian Standard Loan Trust XXXIII	PTC Series A	Sep-16	9.25%	Mar-21	89.52	31.58	[ICRA]AA(SO)
		Second Loss Facility		-		4.47	4.47	[ICRA]BBB(SO)
		Liquidity Facility		-		0.90	0.90	[ICRA]AAA(SO)
5.	Indian Standard Loan Trust XXXV	PTC Series A	Sep-16	9.15%	Sep-21	91.00	26.51	[ICRA]AA+(SO)
		Second Loss Facility		-		5.46	5.46	[ICRA]BBB(SO)
		Liquidity Facility		-		0.91	0.91	[ICRA]AAA(SO)

[#] per annum payable monthly

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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