Au Small Finance Bank Limited

June 22, 2018

Summary of rated instruments

Sr.No.	Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount after previous rating exercise (Rs. Crore)	Amount after May-18 payout (Rs. crore)	Rating action
1.	Indian Standard Loan Trust XXIX	PTC Series A	98.14	51.32	44.58	Rating reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	3.68	3.68	3.68	Rating reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	0.98	0.98	0.98	Rating reaffirmed at [ICRA]AAA(SO)
2.	Indian Standard Loan Trust XXXIII	PTC Series A	89.52	31.58	20.92	Rating reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	4.47	4.47	4.47	Rating reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	0.90	0.90	0.90	Rating reaffirmed at [ICRA]AAA(SO)

**Instrument details are provided in Annexure I*

Rating action

ICRA has reaffirmed the ratings on PTCs, Second Loss Facility and Liquidity Facility under 2 loan securitisation transactions originated by AU Small Finance Bank Limited, as tabulated above. The PTCs issued by "Indian Standard Loan Trust XXIX" transaction are backed by receivables from MSME loan contracts while PTCs issued by "Indian Standard Loan Trust XXXIII" transaction are backed by receivables from vehicle 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 high amortisation of the PTCs under both the transactions. The amortisation has, in turn, led to moderate built-up of the credit cover in the transactions.

A summary of the performance of the pools till May 2018 payouts has been tabulated below.

Pool Performance Summary (till May 2018 payout)

Parameter	Indian Standard Loan Trust XXIX	Indian Standard Loan Trust XXXIII
Asset Class	MSME	Vehicle
Months post origination	21	20
Pool Amortisation	54.6%	76.6%
Cumulative Collection Efficiency (%)[1]	97.6%	97.7%
Monthly Collection Efficiency (%)	94.6%	107.7%
Loss cum 30+ dpd (% of initial Pool)[2]	8.2%	7.6%
Loss cum 90+ dpd (% of initial Pool)[3]	2.5%	1.4%
Loss cum 180+ dpd (% of initial Pool)	0.9%	0.9%
90+ dpd (% of Balance Pool)[4]	4.7%	1.9%
180+ dpd (% of Balance Pool)	1.6%	0.8%
First Loss Facility (% of Balance Pool)	6.6%	15.0%
Second Loss Facility (% of Balance Pool)	8.3%	21.4%
Excess Interest Spread (% of Balance Pool)[5]	34.7%	6.1%
Cumulative CC Utilisation	0.0%	0.0%

Key rating drivers

Credit Strengths

- The performance of the pools has been good with cumulative collection efficiencies above 97% after May 2018 payout for both the pools.
- Due to the presence of Liquidity Facility in these pools, FLCF and SLCF have not been utilized thus far.
- Moderate cover built up for the balance PTC payouts from the internal and external forms of credit enhancement in the transactions

Credit Weakness

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

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[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 + overdue principal+ overdue interest + Cumulative Losses) / Initial POS on the pool*

[4] *POS on contracts aged 90+ dpd / Balance Pool Principal*

[5] *(Pool Cashflows – PTC Cashflows) / Balance Pool Principal*

Description of key rating drivers highlighted above:

The performance of the pools has been good with cumulative collection efficiency of more than 97% till April 2018 collection month. Both the pools have exhibited moderate to low delinquencies with 90+ dpd in the range 1.5%-2.5%. Shortfall in the collections has been absorbed by the excess interest spread (EIS) 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, even after downward reset of cash collateral in both the transactionsis sufficient to reaffirm the ratings at their current rating levels. ICRA will continue to monitor the performance of these transactions. Any further rating action will be based on the future 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 XXIX	3.0% - 4.0%	3.0% - 4.0%	20% - 24% p.a.
2	Indian Standard Loan Trust XXXIII	3.0% - 4.0%	1.5% - 2.5%	8% - 12% p.a.

Analytical approach:

The rating action is based on the performance of the pool till April 2018 (collection month), the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement available in the 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:

S.No	Name of Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
		Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)	Date & Rating June 2018	Date & Rating in FY2018		Date & Rating in FY2017	
						March 2018	September 2017	December 2016	October 2016*
1	Indian Standard Loan Trust XXIX	PTC Series A	98.14	44.58	[ICRA]AA (SO)	[ICRA]AA (SO)	[ICRA]AA (SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)
		Second Loss Facility	3.68	3.68	[ICRA]BBB (SO)	[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)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

**Initial Ratings assigned*

S.No	Name of Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
		Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)	Date & Rating June 2018	Date & Rating in FY2018		Date & Rating in FY2017	
						March 2018	September 2017	January 2017	October 2016*
1	Indian Standard Loan Trust XXXIII	PTC Series A	89.52	20.92	[ICRA]AA (SO)	[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)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)
		Liquidity Facility	0.90	0.90	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

**Initial Ratings 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

Sl.	Trust Name	Instrument name	Date of Issuance	Coupon Rate (p.a.p.m)	Scheduled Maturity Date#	Amount after May-18 payout (Rs. crore)[6]	Current Rating
1.	Indian Standard Loan Trust XXIX	PTC Series A	Sep-16	7.86%	Aug-25	44.58	[ICRA]AA(SO)
		Second Loss Facility		-		3.68	[ICRA]BBB(SO)
		Liquidity Facility		-		0.98	[ICRA]AAA(SO)
2.	Indian Standard Loan Trust XXXIII	PTC Series A	Sep-16	9.25%	Mar-21	20.92	[ICRA]AA(SO)
		Second Loss Facility		-		4.47	[ICRA]BBB(SO)
		Liquidity Facility		-		0.90	[ICRA]AAA(SO)

 # the actual tenure is likely to be shorter owing to prepayments and accelerated amortisation

[6] *100 lakh = 1 crore = 10 million*

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About ICRA Limited:

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.

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