

Ujjivan Small Finance Bank Limited

February 12, 2019

Summary of Rated Instruments

Trust Name	Instrument	Initial Amount (Rs. crore ¹)	Rated Amount (Rs. crore)	Rating action
Vivriti Nirvana 09 2018	PTC Series A1	139.45	139.45	Provisional rating of [ICRA]AA-(SO) confirmed as final

**Instrument details are provided in Annexure I*

Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Vivriti Nirvana 09 2018 trust as final, as tabulated above.

Rationale

In November 2018, ICRA had assigned Provisional [ICRA]AA-(SO) rating to PTC Series A1, issued by Vivriti Nirvana 09 2018 trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- The first line of support is available for the transaction through subordination of 13.00% of pool principal for PTC Series A1;
- Further credit support in the transaction is available through subordination of the excess interest spread (EIS) amounting to around 8.87% of the pool principal amount for PTC A1 followed by a Credit Collateral (CC) equivalent to 4.25% of the initial pool principal amount.
- Favourable selection filters for the pool like absence of overdue contracts, moderate seasoning of ~28.1 weeks and amortization of the contracts in the pool at ~29.1%.
- The share of borrowers in the pool with loan cycle 2 or higher is ~81% of pool principal.

Credit challenges

- The pool has slightly high state level concentration with the top state Tamil Nadu accounting for ~26% of the pool principal. However, there is relative diversity with top 5 districts contributing to 16% of pool principal;

Description of key rating drivers highlighted above:

The first line of support for PTC Series A1 in the transaction is in the form of subordination of 13.00% of the pool principal (includes over collateralization). An important feature of the structure in this transaction is that any collection

¹ 100 lakh = 1 crore = 10 million

in excess of the promised interest payouts to PTC Series A1 would be first utilised for payment of scheduled principal of PTC Series A1 and the remaining would be passed on to the originator on a monthly basis.

Cash collateral of 4.25% of the initial pool principal provided by Ujjivan acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilize the cash collateral to meet the shortfall. Additionally, EIS available in the structure will also provide credit enhancement support.

There are no overdues in the pool as on the cut-off date. The pool consists of loans that are highly seasoned with weighted average seasoning of ~28.1 weeks and have a high pre-securitisation amortisation of ~29.1%. Additionally, the door to door residual tenure of the contracts is low at 87 weeks. The share of borrowers who have completed one or more loan cycle is low at only 19%. Borrowers who are in their 1st loan cycle are considered riskier as they have a limited payment track record. The contracts have an average ticket size of Rs. 31,781 which is in line with industry standards.

The geographical concentration of the loan contracts in the current pool is moderately high with top 3 states constituting ~53% of the pool principal, however at a district level the pool is diversified with the top ten districts constituting ~27% of the pool principal.

Key rating assumptions

ICRA's cash flow modelling for rating ABS transactions involves simulation of potential delinquencies, losses and prepayments in the pool. The assumptions for mean shortfall and the Co-efficient of Variation (CoV) are arrived on the basis of the values observed in the analysis of the Originator's loan portfolio. Additionally, the assumptions may also be adjusted to account for the current macro-economic situation as well as any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated to be about 4.0% - 5.0%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 2.0% - 5.0% per annum.

Liquidity Position:

As per the transaction structure, only the interest amount is promised to the PTCs holders on a monthly basis while the principal amount is promised on the scheduled maturity date for the transaction. This imparts significant liquidity to the transaction in the interim period. The outstanding cash collateral available in the transaction is sufficient to meet the promised interest payouts to the senior PTCs for a period of 5 months.

Performance of past rated pools: ICRA has rated 15 standalone pool originated by Ujjivan Financial Services Pvt Ltd in the past. All these transactions have matured with moderate cumulative collection ratios of above 92% as on their respective final payout dates. There had been no CC utilisation in any of the past pools.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the Originator:

Ujjivan Small Finance Bank Limited (USFB / the bank) commenced operations on February 01, 2017, post transfer of assets and liabilities from Ujjivan Financial Services Limited (Ujjivan). The assets transferred included a portfolio of about Rs.5,900 crore. Ujjivan which operated as an NBFC-MFI, is the holding company of USFB and is listed on the National Stock Exchange and Bombay Stock Exchange.

USFB is a 100% subsidiary of Ujjivan Financial Services Limited and is included in the Second Schedule of the Reserve Bank of India Act, 1934. As on March 31, 2018, USFB's 464 branches was spread across 209 districts in 24 states. The bank had a total portfolio of Rs.7,560 crore and a deposit base of over Rs.3,700 crore.

The company has a rating of [ICRA]A+(Stable) for its Non Convertible Debenture Programme and [ICRA] A1+ for Certificate of Deposits and Short-term Fixed Deposits, as on July 2018.

Key financial indicators (Ujjivan – Consolidated)

Fiscal	FY 2016 (audited)	FY 2017 (audited)	FY2018 (audited)
Total Income	1,027.6	1,397.6	1,581.7
Profit after Tax	177.2	207.7	7.3
Net worth	1,197.8	1,755.8	1,761.6
Total Managed Portfolio	5,388.6	6,379.5	7,560.0
Total Managed Assets	6,051.5	8,986.9	9,813.9
Return on Average Managed Assets (%)	3.5%	2.8%	0.1%
Return on Average Net worth (%)	18.3%	14.1%	0.4%
Gross NPA (%)	0.2%	0.3%	3.6%
Net NPA (%)	0.0%	0.0%	0.7%
Net NPA / Net worth	0.2%	0.1%	2.9%
Managed Gearing (times)	3.9	4.0	4.4
CRAR^ (%)	24.1%	18.3%	23.0%

Note: Amounts in Rs. crore

Source: Ujjivan, ICRA research

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

S.No	Name of Instrument	Current Rating				Chronology of Rating History for the past 3 years			
		Type	Initial Amount Rated (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating Feb 2019	Month-year & Rating Nov 2018	Month-year & Rating in FY2018	Month-year & Rating in FY2017	Month-year & Rating in FY2016
1	Vivriti Nirvana 09 2018	PTC Series A1	139.45	139.45	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-

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-1: Instrument Details

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Rated Amount (Rs. crore ²)	Current Rating
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1	Vivriti Nirvana 09 2018	PTC Series A1	Oct 2018	10.10%	June 2020	139.45	[ICRA]AA-(SO)
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* Scheduled maturity and average life at transaction initiation; may change on account of prepayment

² 100 lakh = 1 crore = 10 million

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