ICRA

Au Small Finance Bank Limited

March 22, 2019

Summary of rated instruments

Sr.No.	Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount after previous rating exercise (Rs. Crore)	Amount after Jan-19 payout (Rs. crore)	Rating action
1.	India Standard Loan Trust XXVIII	PTC Series A	99.91	60.04	28.11	Rating reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	4.75	4.75	4.75	Rating reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	1.00	1.00	1.00	Rating reaffirmed at [ICRA]AAA(SO)
2.	India Standard Loan Trust XXIX	PTC Series A	98.14	44.58	36.19	Rating reaffirmed at [ICRA]AA(SO)
		Second Loss Facility	3.68	3.68	3.26	Rating reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	0.98	0.98	0.98	Rating reaffirmed at [ICRA]AAA(SO)
3.	India Standard Loan Trust XXX	PTC Series A	125.19	57.36	22.63	Rating reaffirmed at [ICRA]AAA(SO)
		Second Loss Facility	8.14	8.14	6.72	Rating reaffirmed at [ICRA]BBB(SO)
		Liquidity Facility	1.25	1.25	1.25	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 3 loan securitisation transactions originated by AU Small Finance Bank Limited, as tabulated above. The PTCs in these transactions are primarily backed by receivables from vehicle and 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 good collection performance coupled with significant amortisation of the PTCs under all the three 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 January 2019 payouts has been tabulated below.

Pool Performance Summary (till January 2019 payout)

Parameter	India Standard Loan Trust XXVIII	India Standard Loan Trust XXIX	India Standard Loan Trust XXX
Asset Class	Vehicle	MSME	Vehicle, MSME
Months post origination	29	29	29
Pool Amortisation	71.86%	63.12%	81.92%
Cumulative Collection Efficiency including repo collections (%)[1]	96.92%	97.56%	97.70%
Cumulative Collection Efficiency excluding repo collections (%)[2]	95.40%	97.56%	97.15%
Loss cum 30+ dpd (% of initial Pool)[3]	13.19%	8.26%	6.89%
Loss cum 90+ dpd (% of initial Pool)[4]	4.05%	2.48%	1.92%
Loss cum 180+ dpd (% of initial Pool)	3.16%	2.04%	1.42%
90+ dpd (% of Balance Pool)[5]	4.24%	5.36%	2.43%
180+ dpd (% of Balance Pool)	1.95%	4.28%	1.07%
First Loss Facility (% of Balance Pool)	11.55%	7.20%	16.00%
Second Loss Facility (% of Balance Pool)	16.88%	9.01%	29.68%
Excess Interest Spread (% of Balance Pool)[6]	5.75%	30.52%	6.25%
Cumulative CC Utilisation	0.00%	0.00%	0.00%

Key rating drivers

Credit Strengths

- The performance of the pools has been good with cumulative collection efficiencies in the range of 95%-98% after 29 months post securitisation.
- 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

- Moderately high 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 at the time of initial rating*

[2] *Cumulative collections (current + arrear excluding repo)/ cumulative billings till date plus opening overdues at the time of initial rating*

[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 + overdue principal+ overdue interest + Cumulative Losses) / Initial POS on the pool*
[5] *POS on contracts aged 90+ dpd / Balance Pool Principal*
[6] *(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 95% as after January 2019 payouts. The pools have exhibited higher delinquencies in the softer buckets viz 30+dpd ranging between 6.5%-13.5% after January 2019 payouts, however, the roll forward rate is low in the pools as witnessed by the delinquencies in harder buckets, with 90+dpd standing below 4.1% for all the pools. Shortfall in the collections has been absorbed by the excess interest spread (EIS) available in the structure. In addition to EIS, because of the presence of Liquidity Facility in these pools, CC has not been utilized to meet the promised principal and interest payouts to the PTCs in any of these pools.
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 is 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	India Standard Loan Trust XXVIII	3.0% - 4.0%	1.5% - 2.5%	8% - 12% p.a.
2	India Standard Loan Trust XXIX	3.0% - 4.0%	2.5% - 3.5%	20% - 24% p.a.
3	India Standard Loan Trust XXX	3.0% - 4.0%	0.5% - 1.5%	8% - 12% p.a.

Liquidity Position

There is credit collateral (cash reserve; in the form of first loss facility and a rated second loss facility) available in the transactions ranging between 16%-46% of the balance pool principal amount. There is also additional comfort provided by presence of liquidity facility in the transaction. Assuming even 50% monthly collection efficiency in the underlying pool contracts in a stress scenario, the credit collateral would cover 9 months of PTC payouts in full for 'India Standard Loan Trust XXVIII' transaction while 20 months for 'India Standard Loan Trust XXIX' transaction. For the 'India Standard Loan Trust XXX' transaction, the credit collateral would cover 19 months of PTC payouts in full after January 2019 payouts.

Analytical approach

The rating actions are based on the performance of the pools till December 2018 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of these pools.

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

About the Company:

AU Small Finance Bank (erstwhile Au Financiers (India) Limited) was incorporated in 1996 as a non-banking finance company (NBFC) by Mr. Sanjay Agarwal. During the early years of operation, 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 investors at regular intervals and expanded its product portfolio to include MSME/construction finance and loans to NBFCs/ Housing finance companies. In September 2015, the Reserve Bank of India granted inprinciple approval to AU for setting up a small finance bank. On December 20, 2016, AU got the final licence to set up the SFB and on April 19, 2017, it converted into an SFB. Further, the bank got listed on stock exchanges in July 2017 and was granted scheduled commercial bank status in November 2017. AU reported profit after tax of Rs. 292 crore on a total asset base of Rs. 18,833 crore in FY2018 compared to profit after tax of Rs. 822 crore on a total asset base of Rs. 9,781 crore for FY2017. The net worth stood at Rs. 2,281 crore as on March 31, 2018 compared to Rs. 1,988 crore as on March 31, 2017.

Key Financial Indicators

Particulars	Unit	FY 2017	FY 2018
Total assets	Rs. Cr.	9,781.2	18,832.8
Net worth	Rs. Cr.	1,987.6	2,281.2
PAT	Rs. Cr	822.0	292.0
Gross NPA	%	1.9	2.0
CRAR	%	23.0	19.3
Return on average assets	%	10.2	2.0

Source: AU, ICRA research

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

Sr. No.	Name of Instrument	Current Rating (FY2019) Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating	Chronology of Rating History for the past 3 years: Date & Rating in FY2018		Date & Rating in FY2017	
					March 2019	March 2018	September 2017	December 2016$	August 2016*
1.	India Standard Loan Trust XXVIII	PTC Series A	99.91	28.11	[ICRA]AA(SO)	[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)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)
		Liquidity Facility	1.00	1.00	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

**Initial Ratings assigned*

$Rating converted from provisional to final

S.No	Name of Instrument	Current Rating (FY2019) Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)	Date & Rating March 2019	Chronology of Rating History for the past 3 years: Date & Rating in FY2019	Date & Rating in FY2018		Date & Rating in FY2017	
						June 2018	March 2018	September 2017	December 2016$	August 2016*
2	India Standard Loan Trust XXIX	PTC Series A	98.14	36.19	[ICRA]AA (SO)	[ICRA]AA	[ICRA]AA (SO)	[ICRA]AA (SO)	[ICRA]AA (SO)	Provisional [ICRA]AA (SO)
		Second Loss Facility	3.68	3.26	[ICRA]BBB (SO)	[ICRA]BBB	[ICRA]BBB (SO)	[ICRA]BBB (SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)
		Liquidity Facility	0.98	0.98	[ICRA]AAA (SO)	[ICRA]AAA	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA (SO)

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					March 2019	March 2018	September 2017	January 2017$	August 2016*
1.	India Standard Loan Trust XXX	PTC Series A	125.19	22.63	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)
		Second Loss Facility	8.14	6.72	[ICRA]BBB(SO)	[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)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

**Initial Ratings assigned*

$Rating converted from provisional to final

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 Jan-19 payout (Rs. crore)[7]	Current Rating
1.	India Standard Loan Trust XXVIII	PTC Series A	Aug-16	7.86%	Feb-21	28.11	[ICRA]AA(SO)
		Second Loss Facility		-		4.75	[ICRA]BBB(SO)
		Liquidity Facility		-		1.00	[ICRA]AAA(SO)
2.	India Standard Loan Trust XXIX	PTC Series A	Sep-16	7.86%	Aug-25	36.19	[ICRA]AA(SO)
		Second Loss Facility		-		3.26	[ICRA]BBB(SO)
		Liquidity Facility		-		0.98	[ICRA]AAA(SO)
3	India Standard Loan Trust XXX	PTC Series A	Sep-16	7.50%	Aug-21	22.63	[ICRA]AAA(SO)
		Second Loss Facility		-		6.72	[ICRA]BBB(SO)
		Liquidity Facility		-		1.25	[ICRA]AAA(SO)

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

[7] 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.

For more information, visit www.icra.in

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