

February 28, 2017

Barclays Bank PLC

S. No.	Trust Name	Instrument*	Amount (Rs. crore ¹)	Rating action
1.	Novo 1 AHAN 2017 Trust	PTCs	235.66	Provisional [ICRA]A1+(SO) Assigned
2.	Novo 2 AHAN 2017 Trust	PTCs	608.83	Provisional [ICRA]A1+(SO) Assigned
3.	Novo 3 AHAN 2017 Trust	PTCs	281.61	Provisional [ICRA]A1+(SO) Assigned

*Instrument details are provided in Annexure I

Rating Action

ICRA has assigned Provisional [ICRA]A1+(SO) ratings to the pass through certificates (PTCs) under three securitisation transactions originated by Barclays Bank PLC (Barclays) with trade receivables as the underlying assets, as detailed in the table above. The receivables are backed by Letters of Credit (LCs) issued by Axis Bank Limited, Bank of Baroda, ICICI Bank Limited, IDBI Bank Limited and Punjab National Bank (together referred to as 'LC Banks'). All these banks are rated at [ICRA] A1+ for their short-term borrowing programmes by ICRA.

This is the first time that trade receivables have been securitised in India. Commenting on the development, **Mr. Vibhor Mittal**, Head – Structured Finance, ICRA Limited, said “Securitisation of trade receivables will help broaden the Indian securitisation market and reflects the growing confidence of mutual fund investors in this space”.

Rationale

Barclays has discounted Rs. 1,125.53 crore of LCs issued by the LC Banks. The receivables against these LCs fall due over a 365 day period from the LC discounting date. Together, the three pools consist of receivables against 45 LCs issued by the five domestic banks. The transaction structure lays out that all receivables less Re.1² shall be transferred to the above mentioned trusts and each of the Trusts will issue a single series of PTCs backed by the receivables. The transfer will happen at a premium, that is, the amounts due to PTC investors will be equal to the amounts due on the underlying LCs on their respective scheduled maturity dates; however with a lag of four business days. ICRA has determined the purchase consideration by discounting the assigned receivables at the PTC yield.

¹ 100 lakh = 1 crore = 10 million

² Barclays shall retain the balance Re.1/-

Key rating drivers

Credit Strengths

- Transaction structure ensuring that the PTCs effectively carry the credit risk of the LC Banks
- Gap of four business days between the due dates of the underlying LCs and the corresponding PTC due dates
- Strong track record of payment of LC Banks in the past

Credit Weakness

- Absence of external credit enhancement, in the event of any shortfall or significant delay in payment by LC Banks

Description of key rating drivers highlighted above:

The assigned ratings are based on the integrity of the legal structure and the LC documentation that ensures that the underlying receivables represent an unconditional and irrevocable obligation of the LC Banks. Further, the transaction payment mechanism entails timely transfer of receipts from the LC Banks to the PTC investors. The rating of the PTCs is, thus, a reflection of the short-term credit quality of the LC Banks.

There is a gap of four business days between the due dates of the underlying LCs and the corresponding due dates on the PTCs. In ICRA's view, this period is sufficient to manage any operational delays in payment by the LC Banks and ensure timely payment to the PTC investors. Historically, the LC Banks have largely paid to Barclays on time, with a maximum delay in payment of two working days.

There is no credit enhancement available in the transaction that can be utilised in the event of shortfall or extended delay in payment from LC Banks.

Analytical approach:

The rating action is based on the profile of the current pool and factors the payment mechanism and the credit profile of the LC Banks.

Links to applicable Criteria

ICRA's Rating Methodology for Securitisation Transactions

<http://www.icra.in/Files/Articles/Securitisation%20Tran%20%20Methodology%20Dec%202016.pdf>

About the Company:

Barclays Bank PLC (Barclays) commenced its commercial banking operations in India in FY2006 and its retail banking operations in FY2007. It currently operates through six branches in India.

The Indian operations of Barclays Bank PLC had an asset base of Rs. 32,532 crore as on March 31, 2016. The bank reported a net profit of Rs. 477 crore on a total income of Rs. 2,066 crore for FY2016 as compared with a net profit of Rs. 412 crore on a total income of Rs. 2,019 crore for FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	February 2017	FY2016	FY2015	FY2014
1.	Novo 1 AHAN 2017 Trust	PTCs	235.66	Provisional [ICRA]A1+(SO)	-	-	-
2.	Novo 2 AHAN 2017 Trust	PTCs	608.83	Provisional [ICRA]A1+(SO)	-	-	-
3.	Novo 3 AHAN 2017 Trust	PTCs	281.61	Provisional [ICRA]A1+(SO)	-	-	-

Complexity level of the rated instrument:

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	Date of Issuance	Coupon Rate	Scheduled Maturity Date	Initial Amount (Rs. crore ³)	Current Rating
1.	Novo 1 AHAN 2017 Trust	PTCs	February 2017	7.50%	April 2017	235.66	Provisional [ICRA]A1+(SO)
2.	Novo 2 AHAN 2017 Trust	PTCs	February 2017	7.50%	November 2017	608.83	Provisional [ICRA]A1+(SO)
3.	Novo 3 AHAN 2017 Trust	PTCs	February 2017	7.50%	January 2018	281.61	Provisional [ICRA]A1+(SO)

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³ 100 lakh = 1 crore = 10 million



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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