

April 06, 2018

Aavas Financiers Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Issued Amount (Rs. crore ¹)	Amount O/s after Jan-18 Payout (Rs. crore)	Rating action
1	Prime Home Loan Trust I	PTC Series A	79.62	63.89	Reaffirmed at [ICRA]AA(SO)
2	Prime Home Loan Trust II	PTC Series A	107.67	99.92	Reaffirmed at [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rating Action

ICRA has reaffirmed the ratings for PTCs issued under two mortgage loan securitisation transactions originated by Aavas Financiers Limited (Aavas) as tabulated above.

Rationale

Both the pools comprise of receivables from Home Loan (HL) contracts. The receivables for both the transactions have been transferred “at par” to a Special Purpose Vehicle (SPV) and the Trust had issued a single series of PTCs, backed by the same. In Prime Home Loan Trust I the PTC yield is fixed while in Prime Home Loan Trust II, the PTC yield is linked to an external benchmark (investor’s MCLR). Given that the Pool yield and the PTC yield are linked to different benchmarks, basis risk exists in latter transaction.

The 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	Prime Home Loan Trust I	Prime Home Loan Trust II
Months post securitization	10	3
Pool Amortization	19.76%	7.20%
PTC Amortization PTC A	19.76%	7.20%
Monthly Collection Efficiency ² for Oct-17	99.99%	97.36%
Monthly Collection Efficiency for Nov-17	100.06%	98.81%
Monthly Collection Efficiency for Dec-17	98.89%	99.36%
Cumulative Collection Efficiency ³	98.36%	98.38%
Loss cum 90+ dpd ⁴ (% of initial Pool)	0.46%	0.00%
Loss cum 180+ dpd ⁵ (% of initial Pool)	0.36%	0.00%

¹ 100 lakh = 1 crore = 10 million

² (Total Current and Overdue collections for the month as a % of Total Billing for the month)

³ (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

⁴ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

⁵ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal

Parameter	Prime Home Loan Trust I	Prime Home Loan Trust II
90+ dpd ⁶ (% of Balance Pool)	0.57%	0.00%
180+ dpd ⁷ (% of Balance Pool)	0.44%	0.00%
Cumulative Cash Collateral Utilization	0.00%	0.00%
Breakeven Collection Efficiency ⁸ for PTC A	70.49%	71.35%
Credit Collateral (% of Balance Pool)	11.22%	8.62%
Excess Interest Spread (% of Balance Pool) for PTC A ⁹	52.68%	52.62%

Key rating drivers

Credit Strengths

- Good collection efficiency seen in both the pools till December 2017 (collection month);
- No cash collateral utilization in any of the pools till date owing to strong collection performance and availability of EIS in both transactions.
- Adequate Cash Collateral (CC) cover available for the balance PTC payouts
- Low level of delinquencies seen in pools till December collection month

Credit Weakness

- High geographical concentration for both pools with top 3 states (% of current pool) ranging between 78%-84%

Description of key rating drivers highlighted above:

The performance of the pools has been good with cumulative collection efficiency of around 98% as of December 2017 collection month. Any shortfall in the collections has been absorbed by the EIS in the structure and there has not been CC utilisation in any of the transactions till date. Since the pools have completed 10 months and 3 months respectively as after January 2018 payouts, they have amortised in the range of 7% -20% after January 2018 payouts. This has led to an adequate built up of CC (as % of balance PTC payouts) in the transactions.

Overall, the credit enhancement available for meeting balance payouts to the PTC investors is sufficient to reaffirm the ratings at the current rating level in all 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.

⁶ Inclusive of Unbilled Principal portion of contracts delinquent(Future POS) for more than 90 days, as a % of Balance Principal

⁷ Inclusive of Unbilled Principal portion of contracts delinquent(Future POS) for more than 180 days, as a % of Balance Principal

⁸ (Balance Cashflows payable to investor– Cash collateral available)/ Balance Pool Cashflows

⁹ (Pool Cashflows – Cashflows to PTC A)/ Pool Principal outstanding



Key rating assumptions

ICRA's cash flow modeling for surveillance of MBS 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 mean shortfall in principal collection during the tenure of the pool is estimated to be about 3.5% - 4.5% of the initial pool principal for Prime Home Loan Trust I and is estimated to be about 4.0% - 5.0% of the initial pool principal for Prime Home Loan Trust II, with certain variability around it. The prepayment rate for the underlying pools is estimated to be in the range of 12.0% - 18.0% per annum.

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:

Aavas Financiers Limited (Aavas) was incorporated as a subsidiary of Au Financiers (India) Limited in February 2011 for providing housing finance in rural and semi-urban areas. The company formally started its operations in March 2012 and is headquartered in Jaipur, Rajasthan. Subsequently to fulfil RBI criteria for conversion to Small Finance Bank, Au Financiers (India) Limited sold their stake in Aavas to PE investors – Kedaara Group and Partners Group, in June 2016. The company's current shareholding stands as: Kedara Capital (53.1%), Partners Group (36.1%), Au Financiers (India) Limited (7.4%) and management team (3.4%) as on Sep-17.

The company is currently operating in 7 states: Rajasthan, Maharashtra, Madhya Pradesh, Gujarat, Haryana, Delhi and Chhatisgarh through a network of 139 branches and had assets under management of Rs. 3,548 crore, as on December 31, 2017. For FY2017, the company reported a net profit after tax of Rs. 58 crore over an asset base of Rs. 3,008 crore as compared with a net profit of Rs. 32 crore on an asset base of Rs. 1,939 crore for FY2016. In 9M FY2018, Aavas reported a profit after tax of Rs 64.6 crore on a managed asset base of Rs 3,548 crores as against a profit after tax of Rs 38.5 crore on a managed asset base of Rs 2,299 crores in 9M FY2017. Aavas' gross and net NPAs stood at 0.53% and 0.41% respectively, as on December 31, 2017.

The long term bank lines and various NCD programmes of Aavas are rated at [ICRA]A+ (Stable) rating while the Commercial Paper programme of Aavas is rated [ICRA]A1+.



Key Financial Indicators (Audited)

	FY2016	FY2017
PAT	32.06	57.85
Net Worth	203.10	566.33
Assets under management	1679.86	2693.85
Total Assets	1710.78	2450.67
Total Managed Assets	1936.13	3011.31
Return on Average Assets	2.49%	2.78%
Return on Average Equity	21.10%	15.04%
Gearing (times)	7.27	3.20
%CRAR	27.52%	46.72%
%Gross NPAs	0.48%	0.63%
%Net NPAs	0.30%	0.48%

Source: Company and ICRA research

CRAR: Capital to Risk Weighted Assets Ratio, NPA: Non Performing Asset

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)	Amount Outstanding (Rs. crore)	Month-year & Rating April 2018	Month-year & Rating July 2017	Month-year & Rating in April 2017	Month-year & Rating in FY2017
1	Prime Home Loan Trust I	PTC Series A	79.62	63.89	[ICRA]AA (SO)	[ICRA]AA (SO)	Provisional [ICRA]AA (SO)*	-

**Initial ratings assigned*

Table: Rating History

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		Type	Rated amount (Rs. Crore)	Amount Outstanding (Rs. crore)	Month-year & Rating April 2018	Month-year & Rating January 2018	Month-year & Rating in October 2017	Month-year & Rating in FY2017
2	Prime Home Loan Trust II	PTC Series A	107.67	99.92	[ICRA]AA (SO)	[ICRA]AA (SO)	Provisional [ICRA]AA (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

S l.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date	Initial Amount (Rs. crore¹⁰)	Amount Outstanding (Rs. crore¹¹)	Current Rating
1	Prime Home Loan Trust I	PTC Series A	March 2017	7.5%	February 2036	79.62	63.89	[ICRA]AA (SO)
2	Prime Home Loan Trust II	PTC Series A	September 2017	7.3%*	October 2036	107.67	99.92	[ICRA]AA (SO)

*linked to investor's MCLR

¹⁰ 100 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.

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