February 15, 2017

# Ujjivan Financial Services Limited

| Sl. | Trust Name | Instrument* | Initial Amount (Rs. crore[1]) | Rating Action |
|---|---|---|---|---|
| 1 | Maatalous 2016 | PTC Series A | 108.65 | Provisional rating of [ICRA]A(SO) confirmed as final |

*Instrument details are provided in Annexure I*

**Rating Action**

ICRA has confirmed the provisional ratings assigned to PTCs issued by Maatalous 2016 trust as final, as tabulated above. The PTCs are backed by receivables from a Rs. 115.19 crore pool of micro loans originated by Ujjivan Financial Services Limited (Ujjivan).

**Rationale**

In November-16, ICRA had assigned Provisional [ICRA]A(SO) rating to PTC Series A issued by Maatalous 2016 Trust. Since the executed transaction documents are in line with the rating conditions and the legal opinion and due diligence audit certificate for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

**Key rating drivers**

**Credit Strengths**

- Availability of credit enhancement in the form of EIS, cash collateral and principal subordination;
- Favorable pool selection filters like moderate seasoning, absence of any overdue contracts as on pool cut-off date;

**Credit Weakness**

- Moderate proportion of the borrowers included in the pool are in the first loan cycle;

**Description of key rating drivers highlighted above:**

The monthly cash flow schedule comprises of promised interest (at the pre-determined yield) on the outstanding PTC principal on each payout date and scheduled principal repayment on a monthly basis (not promised before last payout date). All excess collections available every month, after meeting the scheduled payout to PTC A, will flow back to the Originator on a monthly basis.

The first line of support for PTC Series A in the transaction is in the form of subordination of 5.68% of the pool principal and the entire EIS. Cash collateral of 5.41% of the initial pool principal (Rs. 6.23 crore) 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 cash collateral will be utilized to meet the shortfall.

The pool consists of monthly-paying loan contracts, with moderate seasoning profile and absence of any overdue contracts. The pool has good geographical diversity given the favourable pool selection criteria. However, moderate proportion of the borrowers included in the pool is in their first loan cycle.

[1] 100 lakh = 1 crore = 10 million

**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.

**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 Originator:**
***Ujjivan Financial Services Ltd. (Ujjivan)***
Ujjivan Financial Services Ltd. (Ujjivan) (rated [ICRA]A+(stable) for its NCD programme and [ICRA]A1+ for its Commercial Paper) is a Microfinance Institution (MFI) that was set up in October 2005 as an NBFC and became operational from January 2006. It was founded by Mr. Samit Ghosh, who is the CEO and Managing Director of the company at present. Ujjivan has its headquarters in Bangalore, with regional offices in New Delhi, Kolkata & Pune. Ujjivan's focus is to provide financial services to the economically backward women in urban and semi-urban areas. The company was listed in the National Stock Exchange and Bombay Stock Exchange in May 2016, post the Initial Public Offer (IPO).

As of June 2016, Ujjivan operates in 24 states with a network of 469 branches, with the top 3 states i.e. Karnataka, West Bengal and Tamil Nadu accounting for 43.6% of the portfolio. It has a portfolio of Rs. 5,851 crore as on June 30, 2016 with a client base of 34.44 lakh members. The company has reported net profits of Rs. 177 crore (profitability of 3.7%) in FY2016 on a managed assets base of Rs. 6,052 crore as against profits of Rs. 76 crore (profitability of Rs. 2.5%) for FY2015 on a managed assets base of Rs. 4,032 crore.

In H1 FY2017, the company has reported net profit of Rs. 144 crore (profitability of 4.7%) on a managed asset base of Rs. 7,139 crore.

**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) | Month-year & Rating February 2017 | Month- year & Rating in November 2016 | Month- year & Rating in FY2015 | Month-year & Rating in FY2014 |
| 1 | Maatalous 2016 | PTC Series A | 108.65 | [ICRA]A(SO) | Provisional [ICRA]A(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[2]) | Current Rating |
|---|---|---|---|---|---|---|---|
| 1 | Maatalous 2016 | PTC Series A | Nov-16 | 8.50% p.a. | Jul-18 | 108.65 | [ICRA]A(SO) |

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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**



[2] 100 lakh = 1 crore = 10 million

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