September 15, 2022

AU Small Finance Bank Limited: Ratings withdrawn for PTCs backed by MSME loan receivables transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount Rated (Rs. crore)	Amount Outstanding after Last Surveillance (Rs. crore)	Current Amount Outstanding (Rs. crore)	Rating Action
India Standard Loan Trust XXIX	PTC Series A	98.14	10.56	0.00	[ICRA]AAA(SO); Withdrawn
	Second Loss Facility	3.68	3.26	0.00	[ICRA]A-(SO); Withdrawn
	Liquidity Facility	0.98	0.98 (0.36 utilized)	0.00	[ICRA]AAA(SO); Withdrawn

**Instrument details are provided in Annexure-1*

Rationale

ICRA has withdrawn the ratings for pass through certificates (PTCs), second loss facility (SLF) and Liquidity Facility (LF) backed by a pool of MSME loan receivables originated by AU Small Finance Bank Limited, as tabulated above. All the payouts to the PTC investors in the above-mentioned PTC instruments have been made and no further payments are due to the PTC investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The previous detailed rating rationale of surveillance exercise is available at the following link: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

AU is a scheduled commercial bank, which has transitioned from an asset financing NBFC to an SFB. While it was incorporated in 1996 as an NBFC, it commenced SFB operations on April 19, 2017. AU has an established market position in Rajasthan, and has expanded operations to Maharashtra, Gujarat, and other states over the years. As of June 30, 2022, it had 953 touchpoints and 16 business centres across 20 states & 2 UTs.

AU operates in the retail asset financing segment. Its product portfolio also includes MSME and financing, Real Estate finance, loans to NBFCs, business banking, gold loans, home loans, agri-MSME loans, unsecured personal loans (PL) and. AU's liability product offerings include current accounts, savings accounts, recurring & term deposits, transaction banking, as well as a bouquet of third- party mutual funds and insurance covers among others.

During its early years of operations, AU (formerly Au Financiers (India) Limited) 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. In September 2015, the Reserve Bank of India (RBI) granted in-principle approval to AU for setting up an SFB. On December 20, 2016, AU got the final license and it converted into an SFB on April 19, 2017. Further, the bank got listed on stock exchanges in July 2017 and was granted scheduled commercial bank status in November 2017.

AU reported a profit after tax (PAT) of Rs. 268 crore on a total asset base of Rs. 71,041 crore in Q1 FY2023 compared to PAT of Rs. 203 crore on a total asset base of Rs. 51,357 crore in Q1 FY2022. As on Q1 FY2023 the bank had a net worth of Rs. 7,789 crore, deposit base of Rs. 54,631 crore and assets under management (AUM) of Rs. 50,161 crore. The bank reported capital adequacy of 19.4%, GNPA of 1.96% and NNPA of 0.56% as on Q1 FY 2023.

Key Financial Indicators

AU Small Finance Bank Limited	FY2020	FY2021	FY2022	Q1 FY2023
Profit after tax	675	1,171	1,130	268
Assets under management	30,893	37,712	47,831	50,161
Total assets	42,143	51,591	69,078	71,041
% Gross NPA	1.7%	4.3%*	2.0%	1.96%
% Net NPA	0.8%	2.2%	0.5%	0.56%

Source: *Company, ICRA research; All ratios as per ICRA calculation; Amount in Rs. Crore*

** As of March 31, 2021, 90+dpd stands at 2.7% ^financials for FY21 exclude gains from stake sale in Aavas Financiers Limited and associated provisioning thereof.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)					Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				September 15, 2022	June 14, 2022	June 29, 2021	June 29, 2020	March 22, 2019
India Standard Loan Trust XXIX	PTC Series A	98.14	0.00	[ICRA]AAA(SO); withdrawn	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)
	Second Loss Facility	3.68	0.00	[ICRA]A-(SO); withdrawn	[ICRA]A-(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)
	Liquidity Facility	0.98	0.00	[ICRA]AAA(SO); withdrawn	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
India Standard Loan Trust XXIX	PTC Series A	Simple
	Second Loss Facility	Simple
	Liquidity Facility	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website www.icra.in

Annexure-1: Instrument details

<table>
<tr><th>Issue Name</th><th>Instrument Name</th><th>Date of Issuance / Sanction</th><th>Coupon Rate (p.a.p.m.)</th><th>Maturity Date*</th><th>Amount Rated (Rs. crore)</th><th>Current Rating</th></tr>
<tr><td rowspan="3">India Standard Loan Trust XXIX</td><td>PTC Series A</td><td rowspan="3">September 2016</td><td>7.86%</td><td rowspan="3">August 2025</td><td>0.00</td><td>[ICRA]AAA(SO); Withdrawn</td></tr>
<tr><td>Second Loss Facility</td><td>-</td><td>0.00</td><td>[ICRA]A-(SO); Withdrawn</td></tr>
<tr><td>Liquidity Facility</td><td>-</td><td>0.00</td><td>[ICRA]AAA(SO); Withdrawn</td></tr>
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Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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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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