November 21, 2019

AU Small Finance Bank Limited: ICRA withdraws ratings for pass through certificates issued under transaction backed by vehicle and MSME loans

Summary of Rated Instrument

Trust Name	Instrument*	Initial Amount (Rs. crore[1])	Amount o/s after last surveillance (Rs. crore)	Amount O/s after last Payout (Rs. crore)	Rating action
India Standard Loan Trust XXX	PTC Series A	125.19	22.63	0.00	[ICRA]AAA(SO) withdrawn
	Second Loss Facility	8.14	6.72	0.00	[ICRA]BBB(SO) withdrawn
	Liquidity Facility	1.25	1.25	0.00	[ICRA]AAA(SO) withdrawn

**Instrument details are provided in Annexure I*

Rationale

ICRA has withdrawn the ratings for PTC Series A, Second Loss Facility and Liquidity Facility (LF) issued under vehicle and MSME loans loan securitisation transaction originated by AU Small Finance Bank Limited, as tabulated above.

All the payouts to the investors in the above-mentioned instrument has been made and no further payment are due to the investors.

Key rating drivers

Credit strengths

N.A.

Credit challenges

N.A.

Description of key rating drivers highlighted above

N.A.

Liquidity position

N.A

Rating Sensitivities

[1] *100 lakh = 1 crore = 10 million*

Positive triggers – N.A.

Negative triggers – N.A.

Key rating assumptions

N.A.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal and Suspension 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, 2019 it had 418 branches and 81 asset centres across 11 states. Over 80% of its branches are in the four states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh.

AU operates in the retail asset financing segment, with the vehicle financing segment accounting for 42% of its AUM. Its product portfolio also includes MSME and SME financing, construction finance, loans to NBFCs, business banking, gold loans, home loans, agri-SME loans, unsecured personal loans (PL) and consumer durables (CD). 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 granted in-principle approval to AU for setting up an SFB. 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 a profit after tax (PAT) of Rs. 382 crore on a total asset base of Rs. 32,623 crore in FY2019 compared to PAT of Rs. 292 crore on a total asset base of Rs. 18,833 crore in FY2018. Further, AU achieved PAT of Rs. 190 crore in Q1 FY2020 compared to Rs. 77 crore in the corresponding period in the previous year. As of June 30, 2019, the net worth stood at Rs. 3,361 crore with a reported capital adequacy of 18.6%.

Key financial indicators (audited)

	FY2018	FY2019	Q1FY2019	Q1FY2020
PAT	292	382	77	190
Net worth	2,281	3,163	2,843	3,361
Assets under management	16,188	24,246	17,747	25,610
Total assets	18,833	32,623	20,942	33,762
Return on average assets (%)	2.0%	1.5%	1.5%	2.3%*
Return on average net worth (%)	13.7%	14.0%	13.2%	23.3%*
Gearing (times)	6.9	9.0	5.9	8.6
CRAR (%)	19.3%	19.3%	20.7%	18.6%7
Gross NPAs (%)	2.0%	2.0%	2.2%	2.1%
Net NPAs (%)	1.3%	1.3%	1.4%	1.3%
Net NPA/Net worth (%)	7.4%	9.3%	7.4%	8.6%

*Source: AU's financial results, ICRA research; Amounts in Rs. crore; *Positively impacted by Rs. 71 crore profit on sale of partial stake in Aavas*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years

S. No	Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years				
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018		Date & Rating in FY2017	
					21-Nov-19	22-Mar-19	19-Mar-18	25-Sep-17	30-Jan-17$	03-Oct-16*
1	India Standard Loan Trust XXX	PTC Series A	125.19	0.00	[ICRA]AAA(SO) withdrawn	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)
		Second Loss Facility	8.14	0.00	[ICRA]BBB(SO) withdrawn	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)
		Liquidity Facility	1.25	0.00	[ICRA]AAA(SO) withdrawn	[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	Date of Issuance	Coupon Rate	Scheduled Maturity Date#	Rated Amount (Rs. crore)	Current Rating
1	India Standard Loan Trust XXX	PTC Series A	Sep-16	7.50%	Aug-21	0.00	[ICRA]AAA(SO) withdrawn
		Second Loss Facility		-		0.00	[ICRA]BBB(SO) withdrawn
		Liquidity Facility		-		0.00	[ICRA]AAA(SO) withdrawn

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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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