

February 28, 2020

## AU Small Finance Bank Limited: ICRA withdraws ratings for pass through certificates (PTCs) issued under a vehicle loan receivables securitisation transaction

### Summary of rated instruments

| Trust Name                       | Instrument*          | Rated Amount (Rs. Crore) | Amount O/s after last surveillance (Rs. crore) | Current amount outstanding (Rs. crore) | Rating Action              |
|----------------------------------|----------------------|--------------------------|--|--|----------------------------|
|                                  | PTC Series A         | 99.91                    | 28.11  | 0.00                                   | [ICRA]AA(SO)<br>Withdrawn  |
| India Standard Loan Trust XXVIII | Second Loss Facility | 4.75                     | 4.75   | 0.00                                   | [ICRA]BBB(SO)<br>Withdrawn |
|                                  | Liquidity Facility   | 1.00                     | 1.00   | 0.00                                   | [ICRA]AAA(SO)<br>Withdrawn |

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has withdrawn the ratings assigned to PTC Series A and Second loss facility issued by India Standard Loan Trust XXVIII originated by AU Small Finance Bank Limited, as tabulated above. All the payouts to the investors in the above mentioned instruments have been made and no further payments 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

N.A.

#### Key rating assumptions

N.A.

#### Analytical approach

| Analytical Approach             | Comments  |
|---------------------------------|---|
| Applicable Rating Methodologies | <a href="#">ICRA's Policy on Withdrawal and Suspension of Credit Rating</a> |

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|                            |                |
|----------------------------|----------------|
| Parent/Group Support       | Not Applicable |
| Consolidation / Standalone | Not Applicable |

### About the Originator:

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% <sup>7</sup> |
| 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: Not applicable

Any other information: None

## Rating history for last three years

| S.no | Name of instrument               | Current rating (FY2020)<br>Type | Current rating (FY2020) |                    | Rating<br>28-Feb-20        | Rating History for the past three years |                     |                     |
|------|----------------------------------|---------------------------------|-------------------------|--------------------|----------------------------|---|---------------------|---------------------|
|      |                                  |                                 | Rated amount            | Amount outstanding |                            | FY2018<br>22-Mar-19                     | FY2017<br>19-Mar-18 | FY2017<br>25-Sep-17 |
| 1    | India Standard Loan Trust XXVIII | PTC Series A                    | 99.91                   | 0.00               | [ICRA]AA(SO)<br>Withdrawn  | [ICRA]AA(SO)                            | [ICRA]AA(SO)        | [ICRA]AA(SO)        |
|      |                                  | Second Loss Facility            | 4.75                    | 0.00               | [ICRA]BBB(SO)<br>Withdrawn | [ICRA]BBB(SO)                           | [ICRA]BBB(SO)       | [ICRA]BBB(SO)       |
|      |                                  | Liquidity Facility              | 1.00                    | 0.00               | [ICRA]AAA(SO)<br>Withdrawn | [ICRA]AAA(SO)                           | [ICRA]AAA(SO)       | [ICRA]AAA(SO)       |

Amounts in Rs. crores

## 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 [click here](#)

## Annexure-1: Instrument Details

| Trust Name                       | Instrument Name      | Date of Issuance | Coupon Rate <sup>#</sup> | Scheduled Maturity Date | Amount Rated (Rs. crore <sup>1</sup> ) | Current Rating             |
|----------------------------------|----------------------|------------------|--------------------------|-------------------------|--|----------------------------|
| India Standard Loan Trust XXVIII | PTC Series A         |                  | 7.86%                    | Feb-21                  | 0.00                                   | [ICRA]AA(SO)<br>Withdrawn  |
|                                  | Second Loss Facility | Aug-16           | N.A.                     | Feb-21                  | 0.00                                   | [ICRA]BBB(SO)<br>Withdrawn |
|                                  | Liquidity Facility   |                  | N.A.                     | Feb-21                  | 0.00                                   | [ICRA]AAA(SO)<br>Withdrawn |

<sup>#</sup> per annum payable monthly

<sup>1</sup> 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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