

Bharat Financial Inclusion Limited

Indian Microfinance Loan Receivables Trust (IMLRT) June 2016

The rating of Provisional [ICRA]AA(SO)[†] has been assigned to PTC Series A1 issued by Indian Microfinance Loan Receivables Trust (IMLRT) June 2016, backed by micro loan receivables pool, originated by Bharat Financial Inclusion Limited (BFIL) (erstwhile SKS Microfinance Limited).

Table 1: Rating Summary

Description	Principal (Rs. Crore ¹)	Payout Maturity	Rating Action
PTC Series A1	198.62	March 2018	Provisional [ICRA]AA(SO)

The rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement available in the form of (i) Cash collateral of 5.00% of the pool principal to be provided by the Originator, (ii) subordination of 7.00% of the pool principal for PTC Series A1, and (iii) the Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure.

The pool consists of unsecured micro loans given by BFIL, to borrowers with weak economic profile under a Joint Liability Group (JLG) model. The pool consists of weekly paying loan contracts, with low seasoning and no overdue contracts. All the contracts in the underlying pool are compliant with the Minimum Holding Period (MHP) criteria of at least 12 repayments for weekly products, as prescribed by the RBI Securitization Guidelines. According to the transaction structure, the loan pool receivables will be transferred at par to a Special Purpose Vehicle (SPV) and the Trust will issue a single series of PTCs viz. PTC Series A1 backed by the same. The share of PTC A1 will be 93.00% of the pool principal, while the Originator will have a subordinate right on the residual 7.00% share of the pool principal.

The monthly schedule of promised cashflows for PTC A1 will comprise payment of yield (at the pre-determined rate on the principal outstanding) and scheduled principal repayment. The excess of collections from the loan pool after meeting the scheduled PTC A1 payouts will leak out to the originator and will not be available for meeting future shortfalls.

Based on the analysis of the past performance of BFIL' micro loan portfolio and the expected future performance of the selected pool of loans, ICRA believes that the credit support provided has been adequately sized to cover the credit / liquidity risk in the transaction.

About the Originator

Bharat Financial Inclusion Limited (BFIL) (erstwhile SKS Microfinance Limited), rated [ICRA]A+(stable) for its long term borrowings and [ICRA]A1+ for its short term debt, is an NBFC-MFI catering to the financial needs of poor women through the Joint Liability Group Mechanism. SKS was established as a non-governmental organisation (NGO) under the name Swayam Krishi Sangama in 1998. This not-for-profit society was subsequently renamed SKS Microfinance Limited and registered as an NBFC in January 2005 and received an NBFC-MFI license in November 2013. SKS Microfinance Limited has been renamed to Bharat Financial Inclusion Limited (BFIL) in Jun-16. BFIL reported a PAT of Rs. 302.98 crore in FY16 compared to Rs. 187.66 crore in FY15. The portfolio of BFIL had witnessed a growth of around 84% over the past 12 months, with a book of Rs. 7688 crore as on Mar-16, which is diversified across 18 states in India with a branch network of 1300+ branches. As on Mar-16, asset quality on overall portfolio level was under check with 60+ and 90+ dpd being low at 0.06% and 0.04% respectively.

This is the 7th standalone SKS transaction to be rated by ICRA. In the past, ICRA has assigned ratings to Assignee Payouts under one transaction involving bilateral assignment of microfinance loan receivables, originated by SKS and five securitization transactions originated by the company. The performance of all matured and live transactions has been good with cumulative collection efficiency greater than 99% and with negligible delinquencies. Also there was no cash collateral utilisation in any of the transactions.

June 2016

¹ 100 Lakh = 1 crore = 10 million



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