

Bharat Financial Inclusion Limited

ICRA has upgraded/ reaffirmed the ratings assigned to the Pass Through Certificates (PTCs) under securitization transactions, backed by micro loan receivables pools, originated by Bharat Financial Inclusion Limited (BFIL) (erstwhile SKS Microfinance Limited). The rating upgrade/reaffirmation reflects the good collection performance on the underlying pools so far, and enhanced credit enhancement cover for the rated instruments over the shorter residual tenure.

The summary of the rating actions taken by ICRA is given below.

Table 1: Rating Summary

Trust Name	Instrument	Initial Amount (Rs. Crore)	O/s after Sep-16 payout (Rs. Crore)	Rating Action
IMLRT December 2015	PTC Series A1	340.81	118.59	Upgraded from [ICRA]AA(SO) to [ICRA]AAA(SO)
IMLRT February 2016 A	PTC Series A1	199.99	134.54	Upgraded from [ICRA]AA(SO) to [ICRA]AA+(SO)
IMLRT June 2016	PTC Series A1	198.62	166.11	Provisional [ICRA]AA(SO) confirmed as final*; reaffirmed at [ICRA]AA(SO)

* Since the executed transaction documents are in line with the rating conditions and the legal opinion and due diligence audit certificate have been provided to ICRA, the said ratings have now been confirmed as final.

The above pools are comprised of weekly paying loan contracts with moderate initial seasoning and no initial overdue. The pool is comprised of General Loans¹ only.

The above mentioned transactions involved assignment of pool of receivables by BFIL to an SPV at par. The SPV in turn issued a single series of PTCs backed by the receivables of the pool. For the transactions under consideration, collections on the underlying loans are on a weekly basis and the corresponding payouts are clubbed together and made on monthly basis.

For all the above transactions, 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.

A brief performance summary for the pools under consideration is as given below.

Table 2: Performance Summary till Sep-16 Payout

	IMLRT December 2015	IMLRT February 2016 A	IMLRT June 2016
Number of months post securitization	9	7	4
Pool Amortization	65.20%	32.73%	16.37%
PTC Amortization - PTC A1	65.20%	32.73%	16.37%
Cumulative Collection Efficiency ²	99.83%	99.90%	99.91%
Loss-cum-0+ (% of initial pool principal) ³	0.22%	0.20%	0.27%
Loss-cum-30+ (% of initial pool principal)	0.11%	0.07%	0.06%
Cumulative Cash Collateral Utilization	0.00%	0.00%	0.00%

¹ These are Group Loans given to borrowers who are organized in groups of five, where each group member is responsible for repayment by the other group members.

² Cumulative collections / (Cumulative billings + opening overdue at the time of securitization) There are no opening overdue in case of any of these pools

³ Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitization

As seen from the table above, the cumulative collection efficiency for the transactions has been about 100% and the delinquency numbers reported in the pools so far are negligible. Given the good performance of the pools and availability of adequate excess interest spread & over-collateralization in these pools, no cash collateral has been utilized till date for the transactions.

ICRA will continue to monitor the performance of the transaction. Any further rating action on the pool will be based on the performance of the pool, the availability of credit enhancement and the credit profile of the Servicer.

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 organization (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. The portfolio of BFIL had witnessed a growth of around 76% over the past 12 months, with a book of Rs. 8463 crore as on Jun-16, which is diversified across 18 states in India with a branch network of 1360+ branches. As on Jun-16, asset quality on overall portfolio level was under check with 30+ dpd being under 0.1%.

For FY16, BFIL reported net profit base of Rs. 302.98 on an asset base of Rs.7,688 crore as against a net profit of Rs. 187.66 on an asset base of Rs. 4,185 crore for FY15. BFIL reported a PAT of Rs. 236 crore in Q1 FY17 compared to Rs. 61 crore in Q1 FY16. The company was adequately capitalized with a CAR of 23.2% as of Jun-16.

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