August 05, 2019

Bharat Financial Inclusion Limited: Ratings withdrawn

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/short-term borrowing programme	100.00	0.00	[ICRA]A+%/A1+; Withdrawn
Commercial paper programme	100.00	0.00	[ICRA]A1+; Withdrawn
Total	**100.00****	**0.00**	

**Instrument details are provided in Annexure-1*
***Overall ICRA rated debt should not exceed Rs. 100 crore*

Rationale

ICRA has withdrawn the long-term rating of [ICRA]A+ (pronounced ICRA A plus) for the Rs. 100-crore[1] long-term borrowing programme and the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) for the Rs. 100-crore short-term borrowing/commercial paper programme of Bharat Financial Inclusion Limited (BFIL)[2]. The rating has been withdrawn as there was no amount outstanding against the instruments and the amalgamation of BFIL and IndusInd Bank Limited (IBL) was concluded as per the Bombay Stock Exchange (BSE) filing dated July 4, 2019 by the company. Withdrawal of ratings is in line with ICRA's policy on withdrawal and suspension of credit ratings.

Outlook: Not Applicable

Key rating drivers

Not Applicable

Liquidity position

Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Non-Banking Finance Companies ICRA's Policy on Withdrawal and Suspension of Credit Ratings
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating was based on the standalone financial statements of BFIL.

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

[2] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

About the company

Bharat Financial Inclusion Limited (erstwhile SKS Microfinance Limited) was an NBFC-MFI catering to the financial needs of poor women through the JLG mechanism. SKS was established as a non-governmental organisation (NGO) under the name Swayam Krishi Sangama in 1998. This not-for-profit entity was subsequently renamed SKS Microfinance Limited and registered as an NBFC in January 2005. The company received an NBFC-MFI licence in November 2013. SKS Microfinance Limited was renamed Bharat Financial Inclusion Limited in June 2016. BFIL's portfolio witnessed a growth of around 38% during FY2019, with a managed book of Rs. 17,394 crore as on March 31, 2019, which is diversified across 21 states in India with a branch network of 1,854 branches. As on March 31, 2019, BFIL's gross and net NPAs stood at 0.8% and 0.2%, respectively.

For FY2019 (as per Ind AS), BFIL reported PAT of Rs. 985 crore on AUM of Rs. 17,394 crore, while for FY2018 (as per Ind AS), BFIL reported a profit after tax (PAT) of Rs. 589 crore on assets under management (AUM) of Rs. 12,575 crore. The company was adequately capitalised with CRAR of 49.5% as on March 31, 2019. For FY2017 (As per previous GAAP), BFIL reported a PAT of Rs. 290 crore on AUM of Rs. 9,150 crore.

BFIL's proposed amalgamation with IndusInd Bank was concluded on July 4, 2019.

Key financial indicators (audited)

	FY2017	**FY2018**	**FY2019**
Net interest income*	848	1,277	2,101
Profit before tax	193	660	1,292
Profit after tax	290	589	985
AUM	9,150	12,575	17,394
Total assets	10,418	12,179	10,323
% Tier 1	33.0%	32.6%	48.4%
% CRAR	33.5%	33.2%	49.5%
Gearing	2.9	2.7	1.1
% Net profit/Average managed assets	2.6%	4.3%	5.6%
% Return on net worth	15.1%	21.1%	26.7%
% Gross NPAs (Non-AP)	6.0%	2.2%	0.8%
% Net NPAs (Non-AP)	2.7%	0.1%	0.2%
Net NPA/Net worth (Non-AP)	7.6%	0.3%	0.4%

Source: ICRA research and company; Amounts in Rs. crore

**Net interest income (excluding loan processing fees) = Interest income on portfolio loans + Net gain on derecognition of loans sold under assignment transaction + BC fee – Financial cost*

FY2017 numbers as per previous GAAP, while FY2018 and FY2019 numbers as per Ind AS

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2020)				Chronology of Rating History for the Past 3 Years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating August 2019	Date & Rating in FY2019 November 2018	Date & Rating in FY2018 October 2017	Date & Rating in FY2017 January 2017
1	Long-Term/Short-term Borrowing Programme	Long Term/Short Term	100.00	-	**Withdrawn**	**[ICRA]A+%/A1+**	**[ICRA]A+%/A1+**	**[ICRA]A+ (Stable)/A1+**
2	Commercial Paper Programme	Short Term	100.00	-	**Withdrawn**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

Overall ICRA rated debt should not exceed Rs. 100 crore

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 www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Proposed	Long-term/short-term borrowing programme	NA	NA	NA	100.00	[ICRA]A+%/A1+; Withdrawn
Proposed	Commercial paper programme	NA	NA	NA	100.00	[ICRA]A1+; Withdrawn

Source: Bharat Financial Inclusion Limited

Overall ICRA rated debt should not exceed Rs. 100 crore

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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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