October 30, 2019

Bharat Financial Inclusion Limited: ICRA withdraws ratings for PTCs issued under three micro loan securitisation transactions

Summary of Rated Instrument

Trust Name	Instrument*	Initial Amount (Rs. crore[1])	Amount o/s after last surveillance (Rs. crore)	Current Amount O/s (Rs. crore)	Rating action
IMLRT November 2017	PTC Series A1	387.35	31.41	0.00	[ICRA]AA(SO) Withdrawn
IMLRT June 2018 A	PTC Series A1	497.26	74.97	0.00	[ICRA]AA(SO) Withdrawn
IMLRT June 2018 B	PTC Series A1	739.07	109.46	0.00	[ICRA]AA(SO) Withdrawn

**Instrument details are provided in Annexure I*

Rationale

ICRA has withdrawn the ratings for pass through certificates (PTCs) issued under three micro loan securitisation transactions originated by Bharat Financial Inclusion Limited (BFIL), as tabulated above.

All the payouts to the investors in the above mentioned instruments have 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

N.A

Key rating assumptions

N.A.

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

Past rated pools performance: In the past, ICRA has rated 17 micro loan receivable pools originated by BFIL with the last pool being rated in November 2019. The performance of the live pools has been good with the cumulative collection efficiency exceeding 99.5% and with the delinquencies being low after the July 2019 payouts.

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

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

	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: None

Any other information: None

Rating history for last three years

S.No	Name of Instrument	Current Rating (FY2020)					Chronology of Rating History for the past 3 years		
		Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)	Month-year & Rating 30-Oct-2019	Month-year & Rating 1-July-2019	Date & Rating in FY2019	Date & Rating in FY2018	
							19-Sep-2018	15-Mar-2018	06-Dec-2018*
1	IMLRT November 2017	PTC Series A1	387.35	0.00	[ICRA]AA(SO) Withdrawn	[ICRA]AA (SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)

*Initial Ratings assigned

S.No	Name of Instrument	Current Rating (FY2020)					Chronology of Rating History for the past 3 years		
		Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)	Month-year & Rating 30-Oct- 2019	Month-year & Rating 1-July-2019	Date & Rating in FY2019		Date & Rating in FY2018
							01-Aug-2018	26-Jun-2018*	-
2	IMLRT June 2018 A	PTC Series A1	497.26	0.00	[ICRA]AA(SO) Withdrawn	[ICRA]AA (SO)	[ICRA]AA (SO)	Provisional [ICRA]AA(SO)	-

*Initial Ratings assigned

S.No	Name of Instrument	Current Rating (FY2020)					Chronology of Rating History for the past 3 years		
		Type	Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)	Month-year & Rating 30-Oct- 2019	Month-year & Rating 1-July-2019	Date & Rating in FY2019		Date & Rating in FY2018
							26-Sep-2018	28-Jun-2018*	-
3	IMLRT June 2018 B	PTC Series A1	739.07	0.00	[ICRA]AA(SO) Withdrawn	[ICRA]AA (SO)	[ICRA]AA (SO)	Provisional [ICRA]AA(SO)	-

*Initial Ratings assigned

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 I: Details of Instruments

Sl.	Trust name	Instrument name	Date of issuance	Coupon rate (p.a.)	Scheduled maturity date	Current amount o/s (Rs. crore)[2]	Current rating
1.	IMLRT November 2017	PTC Series A1	Nov-17	7.50%	Aug-19	0.00	[ICRA]AA(SO) Withdrawn
2.	IMLRT June 2018 A	PTC Series A1	Jun-18	8.05%	Mar-20	0.00	[ICRA]AA(SO) Withdrawn
3.	IMLRT June 2018 B	PTC Series A1	Jun-18	7.65%	Mar-20	0.00	[ICRA]AA(SO) Withdrawn

[2] *100 lakh = 1 crore = 10 million*

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About ICRA Limited:

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