

January 24, 2020

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

### Summary of Rated Instrument

| Trust Name            | Instrument*   | Initial Amount (Rs. crore <sup>1</sup> ) | Amount o/s after last surveillance (Rs. crore) | Current Amount O/s (Rs. crore) | Rating action          |
|-----------------------|---------------|------------------------------------------|------------------------------------------------|--------------------------------|------------------------|
| IMLRT November 2018 A | PTC Series A1 | 404.09                                   | 199.10                                         | 0.00                           | [ICRA]AA(SO) Withdrawn |
| IMLRT November 2018 B | PTC Series A1 | 199.98                                   | 106.89                                         | 0.00                           | [ICRA]AA(SO) Withdrawn |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ICRA has withdrawn the ratings for pass through certificates (PTCs) issued under two micro loan securitisation transactions originated by Bharat Financial Inclusion Limited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.

<sup>1</sup> 100 lakh = 1 crore = 10 million

## 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> |
| 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 04, 2019.

## Key financial indicators

|                                     | <b>FY2017</b> | <b>FY2018</b> | <b>FY2019</b> |
|-------------------------------------|---------------|---------------|---------------|
| 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

| S.No | Name of Instrument    | Current Rating (FY2020) |                      |                    |                        | Chronology of Rating History for the past 3 years |              |                          |
|------|-----------------------|-------------------------|----------------------|--------------------|------------------------|---------------------------------------------------|--------------|--------------------------|
|      |                       | Type                    | Initial Rated amount | Amount Outstanding | Date & Rating          | FY2020                                            | FY2019       |                          |
|      |                       |                         |                      |                    | 24-Jan-20              |                                                   | 01-Jul-19    | 22-Feb-19                |
| 1    | IMLRT November 2018 A | PTC Series A1           | 404.09               | 0.00               | [ICRA]AA(SO) Withdrawn | [ICRA]AA(SO)                                      | [ICRA]AA(SO) | Provisional [ICRA]AA(SO) |

Amounts in Rs. crores

| S.No | Name of Instrument    | Current Rating (FY2020) |                      |                    |                        | Chronology of Rating History for the past 3 years |              |                          |
|------|-----------------------|-------------------------|----------------------|--------------------|------------------------|---------------------------------------------------|--------------|--------------------------|
|      |                       | Type                    | Initial Rated amount | Amount Outstanding | Date & Rating          | FY2020                                            | FY2019       |                          |
|      |                       |                         |                      |                    | 24-Jan-20              |                                                   | 01-Jul-19    | 22-Feb-19                |
| 2    | IMLRT November 2018 B | PTC Series A1           | 199.98               | 0.00               | [ICRA]AA(SO) Withdrawn | [ICRA]AA(SO)                                      | [ICRA]AA(SO) | Provisional [ICRA]AA(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 [www.icra.in](http://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) <sup>2</sup> | Current rating         |
|-----|-----------------------|-----------------|------------------|--------------------|-------------------------|---------------------------------------------|------------------------|
| 1.  | IMLRT November 2018 A | PTC Series A1   | Nov-18           | 9.04%              | Jul-20                  | 0.00                                        | [ICRA]AA(SO) Withdrawn |
| 2.  | IMLRT November 2018 B | PTC Series A1   | Nov-18           | 9.25%              | Aug-20                  | 0.00                                        | [ICRA]AA(SO) Withdrawn |

<sup>2</sup> 100 lakh = 1 crore = 10 million

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