



Rating Rationale

Au Financiers (India) Limited

9 March, 2017

Brickwork Ratings assigns/reaffirms the rating for the Bank Loan facilities aggregating ₹ 1096.67 Crores (enhanced from ₹ 550 Crores) of Au Financiers (India) Limited ('AUFIL' or 'the Company')

Particulars

Facility	Limits (₹ Cr)		Tenure	Rating History (Oct 2016)	Rating*
	Previous	Present			
Fund Based Term Loan	550	1096.67	Long Term	BWR AA BWR Double A Outlook: Stable	BWR AA BWR Double A Outlook: Stable
Total	550	1096.67	INR One Thousand Ninety- Six Crores and Sixty- Seven Lakhs Only		

Note: The above facilities are availed from NABARD. The rated amount is a partial amount of the total Bank Loan exposure of the Company

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY16 and H1FY17, projected financials, publicly available information, and information/clarifications provided by the Company's management.

The rating has factored, *inter alia*, the improved capital structure following the divestment of AUFIL's stake in the Housing Finance Subsidiary, experienced & professional management, presence of strategic investors providing financial strength & flexibility, growing business profile, diversification in terms of geography and products offerings, robust asset quality and improving operating performance. The rating is however, constrained by moderately seasoned loan portfolio and the competitive landscape for NBFCs, in general.



Rating Outlook: Stable

BWR believes AUFIL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Any major volatility in profitability or deterioration in asset quality with impact on capitalization may lead to revision in the rating or the outlook. The Company has received the final approval for operating as a Small Finance Bank (SFB) and would soon be starting its operations. The rating assigned here has taken cognizance of the same.

About the Company

Au Financiers was set up in 1996 by a first generation entrepreneur Mr. Sanjay Agarwal. The company is an RBI registered Non-banking finance company (NBFC) operating in the asset finance space, primarily financing for both new & used commercial vehicles and providing loans to MSMEs/ SMEs. In December 2016, AUFIL has received the final approval from RBI for Small Finance Bank (SFB) and would be starting its operations in April 2017. Mr. Sanjay Agarwal, with other promoters & promoter group, holds around 33.38% in the Company, followed by non-promoter holdings of Redwood Investment Limited - managed by Warburg Pincus of 21.03%, International Finance Corporation of 10.66% and other Institutional Investors.

Mr. Sanjay Agarwal is the Managing Director of AUFIL and Mr. Uttam Tibrewal is the Executive Director. Besides them, the Board has three Independent Directors and hence has a majority Independent Director Board. Three Investor Directors who were representatives of Warburg Pincus, Chrys Capital and Kedaara Capital have resigned to comply with the SFB guidelines to have a majority Independent Directors Board. The company has a team of well-qualified and experienced professionals looking after credit, risk, marketing, audit and other support functions including Mr. Deepak Jain, Chief Financial Officer and Mr. Manoj Tibrewal, Chief Operating Officer.

AUFIL is operating in the asset finance space, primarily offering financing for both new & used commercial vehicles and loans to MSMEs/ SMEs. As of September 30, 2016, the Company is operating in 10 states through its expanding network of around 300 branches with Asset under Management (AUM) concentration of ~56% coming from Rajasthan followed by Gujarat (~13%) and Maharashtra (~12%).



The Company's AUM has increased from ₹ 5,568 Crores as of March 31, 2015 to ₹ 8,221 Crores as of March 31, 2016, a y-o-y growth of ~ 48% and further to ₹ 9,368 Crores as of September 30, 2016. In terms of products, around 51% of AUM is contributed by Vehicle segment and 49% by MSME/SME segment. As of September 30, 2016, Gross NPA as a percentage of AUM stood at 1.72% (0.90% as of March 31, 2016) an increase partially due to the change of NPA recognition norms from 150 dpd in FY16 to 120 dpd in FY17. Provision coverage ratio was relatively lower at 27.28%, on the rationale that credit exposures are asset backed or well collateralized. AUFIL's TNW has increased from ₹ 991 Cr to ₹ 1678 Cr majorly due to proceeds from dilution of its stake in the Au Housing Finance Limited (previously a subsidiary of AUFIL). CRAR was at 24.48% (17.10% as of March 31, 2016) with Tier I CRAR at 22.26% as of September 30, 2016. The Company has a comfortable liquidity position as the tenure of its assets is well matched by the tenure of its liabilities.

Company's Financial Performance

On a standalone basis, Total Income from Operations for the Company stood at ₹ 1010.46 Crores for FY16 compared to ₹ 703.92 Crores for FY15, a y-o-y growth of ~44%, while Net Income from Operations (Total Income from Operations net of Finance Cost) increased from ₹ 421.95 Crores to ₹ 615.21 Crores, a y-o-y growth of ~46%. Net Interest Margin was stable at around 9%. PAT improved from ₹ 140.23 Crores for FY15 to ₹ 211.62 Crores for FY16.

Total Income from Operations for H1FY17 was around ₹ 657 Crores with PAT of ₹ 661 Crores due to one-time exceptional capital gain of ₹ 517 Crores (net of related expenses and taxes) on sale of investments.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Year 2017)		Rating History				
				2016		2015	2014	
				05-Oct-2016	18-May-2016			
1	Term Loan	Long Term	₹ 1096.67 Cr	BWR AA Outlook: Stable	BWR AA Outlook: Stable	BWR AA - Outlook: Stable	NA	NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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