

Rating Report

Brickwork Ratings assigns 'BWR AA-' rating with Stable Outlook for the Bank Loan facilities aggregating ₹200 Crores of Au Financiers (India) Limited

Brickwork Ratings (BWR) has assigned the **Ratings**¹ of 'BWR AA-' (Pronounced BWR Double A Minus) with **Stable Outlook** for the Bank Loan Facilities aggregating ₹200 Crores of Au Financiers (India) Limited ('AUFIL' or 'the Company') as detailed in table below:

Facility	Limits (` Cr)	Tenure	Rating
Fund Based Term Loan	200	Long Term	BWR AA - BWR Double A Minus Outlook: Stable
Total	200	INR Two Hundred Crores Only	

Note: The above facility is a partial amount of the total Bank Loan exposure of the Company

BWR has principally relied upon the audited financial results of the Company up to FY15, provisional financials for 9MFY16, projections, publicly available information and information/clarifications provided by the Company's management.

The rating has factored, *inter alia*, the experienced & professional management in place, presence of strategic investors providing financial strength & flexibility, growing business profile, comfortable capital adequacy with regular capital infusion, diversification in terms of geography and products offerings, robust asset quality and improving operating performance. The rating is however, constrained by moderately seasoned non-vehicle loan portfolio and the competitive landscape for NBFCs.

Background

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 offering financing for both new and used commercial vehicles, loans to MSMEs/ SMEs and Housing Loans through its wholly owned subsidiary Au Housing Finance Limited. In October 2015, AUFIL has received in principle license of a Small Finance Bank (SFB) which is valid for 18 months during which the Company has to comply with all the regulatory requirements set for the SFBs.

AUFIL's Asset under Management (AUM), at consolidated level was at ` 8,517 Crores as of December 31, 2015.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The promoter, including Mr. Sanjay Agarwal, holds around 29.73% in the Company, followed by non-promoter holdings of Redwood Investment Limited - managed by Warburg Pincus of 27.07%, International Finance Corporation of 13.72% and other Institutional Investors.

Management Profile

Mr. Sanjay Agarwal is the Promoter and Managing Director of AUFIL and Mr. Uttam Tibrewal is the Executive Director. Besides them, the Board has three Independent Directors and three Investor Directors who are representatives of Warburg Pincus, Chrys Capital and Kedaara Capital. 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.

Business operations

AUFIL is operating in the asset finance space, primarily offering financing for both new and used commercial vehicles, loans to MSMEs/ SMEs and housing Loans through its wholly owned subsidiary Au Housing Finance Limited. As of December 31, 2015, the Company is operating in 10 states through its expanding network of around 286 branches with AUM concentration, on standalone basis, of ~58% coming from Rajasthan followed by Gujarat and Maharashtra with ~13% each.

The Company's Asset under Management, at consolidated level, has increased from ` 4,855 Crores as of March 31, 2014 to ` 6,411 Crores as of March 31, 2015, a y-o-y growth of 32.0% and further to ` 8,517 Crores as of December 31, 2015. AUM, at standalone level, has increased from ` 4,449 Crores as of March 31, 2014 to ` 5,568 Crores as of March 31, 2015, a y-o-y growth of 25.2% and further to ` 7,220 Crores as of December 31, 2015. In terms of standalone AUM, around 48% is contributed by MSME/SME segment.

Asset Quality

As of March 31, 2015, at standalone level, the Gross NPA of the Company stood at 1.76% (1.73% as of FY14 end) but reduced to 1.23% as of December 31, 2015 due to improvement in slippages/recoveries during 9MFY16. Net NPA stood at 0.44% (0.42% as of FY14 end) and was at 0.79% as of December 31, 2016. Provision Coverage ratio stood at 35.44% as of December 31, 2015. The NPA recognition norm has changed from 180 dpd+ till FY15 to 150 dpd+ in FY16.

Capital adequacy

AUFIL's Tangible Net Worth increased from ` 796 Crores as of March 31, 2015 to ` 924 Crores as of December 31, 2015, mainly on account of retention of profits for the period. The total amount invested in subsidiaries and associate companies is around ` 85 Crores as of March 31, 2015. Its capital adequacy in the form of CRAR stood at 17.62% as of December 31, 2015 (20.44% as of March 31, 2015).

It has continuously maintained CRAR well above the RBI's minimum stipulated requirement of 15%. Company's Tier I CRAR stood at 13.77% as of December 31, 2015.

Liquidity

As of December 31, 2015, Company's borrowings are by way of Bank borrowings: ` 1,210 Crores, NCD: ` 2,132 Crores, Subordinated Debt: ` 360 Crores, Commercial Papers: ` 675 Crores and through Securitization: ` 2,341 Crores. The Company has a comfortable liquidity position as the tenure of its assets is well matched by the tenure of its liabilities.

Earnings Quality

On a standalone basis, total operating Income for the Company stood at ` 725.2 Crores for FY15 compared to ` 610.7 Crores for FY14, a y-o-y growth of ~19%, while Net Operating Income increased from ` 321.7 Crores for FY14 to ` 443.2 Crores for FY15, a y-o-y growth of ~38%. Net Interest Margin improved from 8.1% for FY14 to 9.1% for FY15 due both to increase in earning assets yield and decrease in cost of funds. PAT improved significantly from ` 92.4 Crores in FY14 to ` 140.2 Crores. Return on Asset was at around 2.70% for FY15 (2.27% in FY14).

On a provisional basis, total operating Income for 9MFY16 was around ` 714 Crores.

Key performance /financial indicators have been shown in Annexure I, II and III

Rating Outlook

The outlook is expected to be stable over the current year. Going forward the ability of the Company to grow profitably, prudently manage its asset quality, maintain healthy capitalization level and cope with the changing & competitive nature of the finance industry would be the key rating sensitivities.

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Au Financiers (India) Limited
Annexure I: (Standalone) Profit & Loss Summary

P & L Summary (` Cr)	FY13 (A)	FY14 (A)	FY15 (A)
Total Operating Income	437.88	610.68	725.20
Total Finance Cost	201.58	288.94	281.97
Net Operating Income	236.30	321.74	443.23
Other Income	2.98	7.98	12.26
Total Income	239.28	329.72	455.49
Employee Benefit Expenses	52.10	69.68	94.52
Provision & Write offs	24.14	76.52	91.74
Other Expenses	42.12	41.83	54.34
PBDTA	120.92	141.69	214.89
Depreciation	2.91	3.30	6.52
Prior period item	3.79	0.00	0.00
PBT	114.22	138.39	208.37
Taxes	34.02	46.00	68.14
PAT	80.20	92.39	140.23

Au Financiers (India) Limited
Annexure II: (Standalone) Balance Sheet Summary

Equity & Liabilities (` Cr)	FY13 (A)	FY14 (A)	FY15 (A)
Shareholders' Fund	465.53	641.27	810.76
Share Capital	40.47	42.96	44.08
Reserves & Surplus	425.06	598.31	766.68
Non-Current Liabilities	1488.93	1314.63	1661.18
Long Term Borrowings	1462.51	1273.46	1579.57
Other Long Term Liabilities	12.19	14.98	42.91
Long Term Provisions	14.23	26.19	38.70
Current Liabilities	1184.72	1057.03	1575.48
Short Term Borrowings	677.78	468.47	972.64
Trade Payables	8.85	11.78	11.93
CPLTD	341.78	388.12	326.11
Other Current Liabilities	148.55	176.76	241.44
Short Term Provisions	7.76	11.90	23.37
Total	3139.18	3012.93	4047.42
Assets (` Cr)			
Non-Current Assets	1320.71	1625.47	2412.31
Tangible Assets (Net)	15.81	16.05	17.23
Intangible Assets (Net)	0.81	0.81	1.29
Capital WIP	0.14	0.00	1.23
Non-current Investments	56.67	87.36	112.65
Deferred Tax Assets (Net)	4.40	9.09	14.56
Receivable under Financing activity	1193.04	1491.41	2248.16
Long Term Loans and Advances	6.75	16.22	11.75
Other Non-Current Assets	43.09	4.53	5.44
Current Assets	1818.47	1387.46	1635.11
Current Investments	682.02	26.20	27.19
Trade Receivables	4.45	0.18	0.10
Cash and Bank balances	376.02	203.36	202.92
Receivable under Financing activity	691.43	1096.70	1364.65
Short Term Loans and Advances	27.94	33.07	13.10
Other Current Assets	36.61	27.95	27.15
Total	3139.18	3012.93	4047.42

Au Financiers (India) Limited
Annexure III: (Standalone) Key Ratios

Ratios	FY13 (A)	FY14 (A)	FY15 (A)
Yield on earning assets (%)	18.11%	17.06%	17.60%
Cost of funds (%)	11.63%	11.15%	10.55%
Net interest spread (%)	6.48%	5.91%	7.05%
Net interest margin (%)	7.6%	8.1%	9.1%
Cost to Income Ratio	41.11%	35.20%	34.27%
Return on Equity (%)	20.09%	20.00%	21.94%
Return on assets (%)	2.48%	2.27%	2.70%