IndoStar Capital Finance Limited

Finance and Banking
Non-Banking Finance Companies

Credit Perspective

March 2019

RATING ACTION

Ratings reaffirmed

Short-Term Rating
Commercial Paper – [ICRA]A1+

Rating Outlook
NA

Total Rated Debt
Rs. 1,250 crore

Rating Methodology

ICRA's Credit Rating Methodology for Non-Banking Finance Companies

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Rating Rationale

The rating for IndoStar Capital Finance Limited (ICF) factors in the company's strong capitalisation levels for its current scale of operations owing to the fresh equity infusion of Rs. 700 crore through Initial Public Offer (IPO) in May 2018; long standing experience of its institutional sponsors in the Indian and global markets; presence of an experienced senior management team; and its robust risk management practices. The rating also draws comfort from the management's stated policy of maintaining adequate liquidity back-up to manage refinance risks. ICRA also factors in the synergies from the sponsors in terms of sourcing of business and their active engagement in credit sanctions; the relatively long investment horizon of the sponsors; and improvement in asset quality. ICRA positively views the improvement in the company's overall resource profile with more number of banking and investor relationships. Given the company's moderate track record and the risks associated with a wholesale lending model, ICRA notes that ICF's ability to execute its business plans and raise funds at competitive rates from a diverse set of borrowers, while maintaining healthy asset quality would remain the key sensitivities.
ICRA takes note of the recent growth in the company's SME and Commercial Vehicle (CV) financing book. The company has recruited experienced personnel for leading the retail segment. On February 4, 2019, IndoStar Capital Finance Limited (ICF) had announced the signing of a binding agreement to acquire Commercial Vehicle (CV) business of India Infoline Finance Limited (IIFL). The acquired AUM of IIFL CV business comprises of Rs. 2,450 crore of loan portfolio and Rs. 1,499 crore of securitisation/ assignment portfolio. Ability of the company to improve profitability with the expansion into the retail segment shall remain a key monitorable.

For the purpose of this rating, ICRA has considered the consolidated profile of ICF with its wholly owned subsidiary IndoStar Home Finance Private Limited.

Scenarios for Rating Downgrade

The rating may be downgraded if there is a significant deterioration in the company's asset quality indicators and hence solvency profile and/or its liquidity profile.

Key Rating Considerations

Credit Strengths

- Long standing experience of its institutional sponsors in the Indian and global markets and management support and operational synergies with the sponsors
- Strong capitalisation with low leverage
- Good liquidity policy
- Diversified funding fix
- Good Asset quality indicators albeit on a low seasoned book

Credit Challenges

- Relatively high portfolio vulnerability owing to credit and concentration risk. However, share of retail loans gradually increasing
- Limited track record of the Group in retail lending
- Moderate profitability indicators

Company Profile

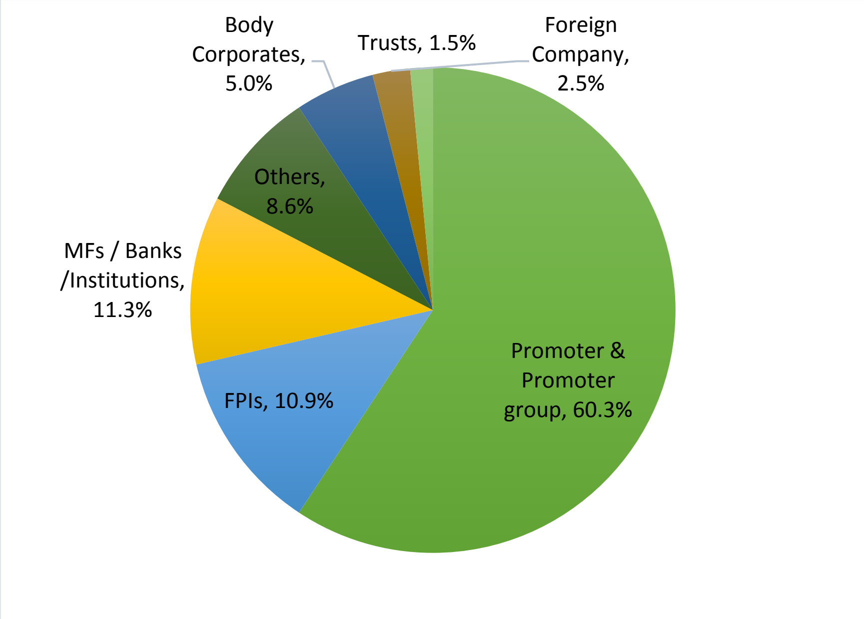
IndoStar Capital Finance Limited (ICF) was originally incorporated as R V Vyapaar Private Ltd. in July 2009. The company's name was changed to IndoStar Capital Finance Private Limited in November 2010 and to IndoStar Capital Finance Limited in April 2014. The company is registered with the Reserve Bank of India (RBI) as a Systemically Important Non-Deposit Accepting Non-banking Financial Company. The company is sponsored by a group of financial institutions including Everstone Capital, Goldman Sachs Group, Baer Capital Partners and ACPI Investment Managers.

IndoStar Capital (ICF Mauritius), a company incorporated in Mauritius, has a majority shareholding in ICF with 57.03% stake as on December 31, 2018. ICF Mauritius is promoted by the sponsors of ICF. ICF got listed in May 2018 and received a fresh equity infusion of Rs. 700 crores. The Promoters & Promoters Group stake stood at 60.3% as at December 31, 2018. ICF initially provided wholesale loans to both real estate and non-real estate segment. The Company has also commenced Commercial Vehicle financing in addition to SME Financing. ICF's loan portfolio and net worth stood at Rs. 7,227 crore and Rs. 2,955 crore respectively as at December 31, 2018.

In FY2018, the company reported a net profit of Rs. 236 crore on an asset base of Rs. 7,279 crore compared to a net profit of Rs. 209 crore on an asset base of Rs. 5,469 crore in FY2017. During 9MFY2019, the company reported a net profit of Rs. 184 crore on an asset base of Rs. 9,388 crore.

The company's net worth stood at Rs. 2,955 crore and its loan book at Rs 7,227 crore as at December 31, 2018. ICF's advances to the wholesale sector (real-estate and non-real estate) accounted for around 60.87% of the book, SME loans accounted for 23.97% and the balance 13.35% comprised of commercial vehicle loans as at December 31, 2018.
On consolidated basis, the portfolio stood at Rs. 7,651 crore as at December 31, 2018. The composition of loan book changed with the decline in share of wholesale loans to ~59% of loan book and SME constituting 23% of loan book. While the vehicle finance and housing finance segment have grown robustly to account for 13% and 6% of the loan book respectively.

EXHIBIT 1: Shareholding Pattern – IndoStar Capital Finance Limited as on December 30, 2018



Source: Company Presentation

BUSINESS RISK PROFILE

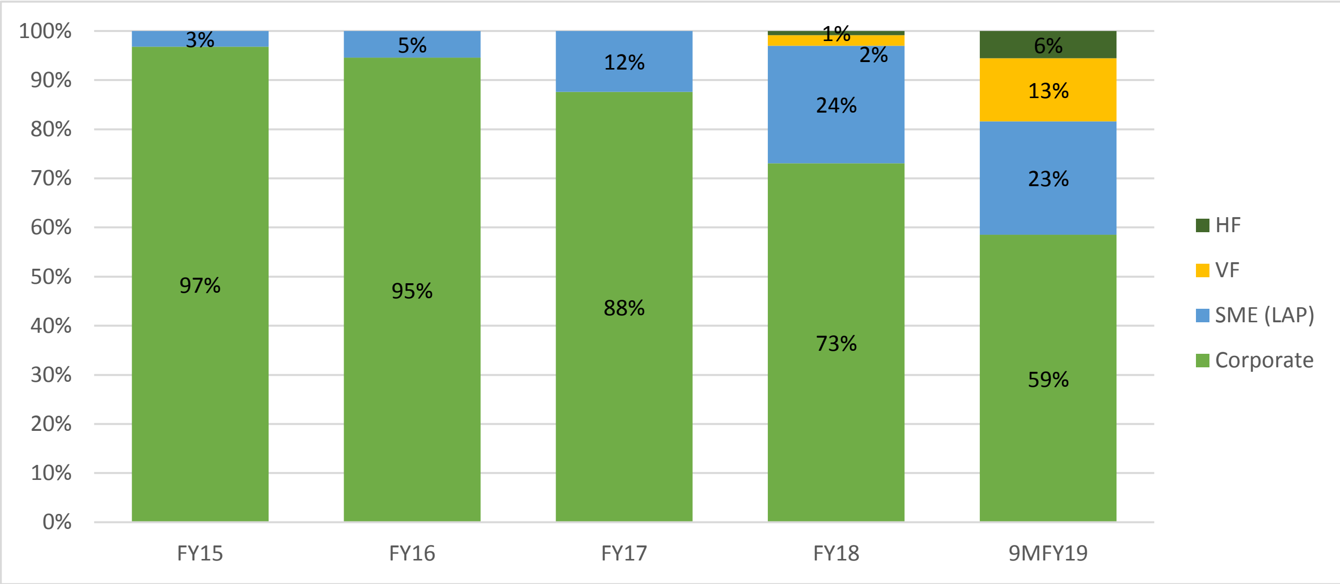
Management support and operational synergies with the sponsors help in decision making

The company gains from the longstanding experience of the institutional sponsors (Everstone Capital & Goldman Sachs) in the Indian and global markets. The company's sponsors have played an active role in the company's credit decision making since inception. The Credit Committee is constituted by nominees of the investors. The company's Board is actively engaged in the oversight of all aspects of the business. Apart from the participation of the Board, the company has a strong and experienced senior management team.

Good portfolio growth; increasing share of retail loans

The loan book of the group grew by ~15% to Rs 6,012 crore as on March 31, 2018 and further to Rs. 7,651 crore as on December 31, 2018. In line with the company's diversification strategy, the composition of loan book has changed with the decline in share of wholesale loans to ~59% of loan book as on December 31, 2018 (73% as on March 31, 2018), SME loans constituting 23%, vehicle loans constituting 13% and housing loans constituting the balance 6%. of loan book. The total AUM of ICF on consolidated basis, post-acquisition will increase to Rs. 11,697 crore from Rs. 7,748 crore as at December 31, 2018 with retail AUM at Rs. 7,217 crore (62% of the total portfolio).

EXHIBIT 2: Trend in portfolio mix (Consolidated)



Includes housing portfolio of IHFPL
Source: Company Data; ICRA research

Till March 2014, ICF was only in the business of wholesale financing; however, over the years it has diversified its portfolio mix to include retail customers in the form of Loan against Property (LAP). Over FY16-H1FY19, the LAP portfolio has gained some traction and it has grown from Rs. 230 crore as on March 2016 to Rs 1,764 crore as on December 31, 2018, thereby increasing the proportion of the LAP portfolio to 23% as on December 31, 2018. Further, In September 2017, the company ventured into housing finance through wholly owned subsidiary IndoStar Home Finance Private limited to provide affordable housing loans in outskirts or urban areas and tier II cities. In October 2017 the company had initiated vehicle financing, lending to small and large fleet operators, primarily financing used CVs of 5-12 years old.

ICF's wholesale lending portfolio can be bifurcated into two main segments – real estate (RE) and other corporate. RE exposures constitute ~55% of the total wholesale portfolio as on December 31, 2018, with the balance being other corporate loans. While the inherent risks associated with real estate sector are higher, the company has been able to manage the risks through prudent underwriting policies. The company is the sole lender in most transactions and has the first and exclusive charge and a better control over the borrower's cash flows. ICF prefers the relatively less volatile residential projects to commercial projects. The company's exposures are largely concentrated in the Maharashtra region, especially Mumbai.

Within the corporate lending segment, the company is sector agnostic. It has extended loans across sectors such as infrastructure, logistics, paper, poultry, promoter funding and microfinance. It provides secured corporate lending in the form of term loans and short-term working capital facilities. ICF customises the loans by tenure and repayment schedules to match the specific commercial requirements and the financial profiles of corporate customers. The wholesale portfolio has seen a high churning with a high level of prepayments. Nevertheless, the company has been able to grow the book steadily.

While the company aims to moderate this risk by focussing on residential projects in familiar micro markets, the higher exposure to real estate enhances the portfolio vulnerability. ICRA favourably notes the shift made by the company towards more granular SME financing and CV Financing; As on December 31, 2018, SME financing accounted for ~23% of the overall loan book while CV financing book accounts for 13% of the overall loan book of IFC, reducing the credit concentration to some extent. However, given that the CV and SME books are relatively new lines of businesses for the company, the ability to profitably grow in these segments in a highly competitive market is yet to be established.

EXHIBIT 3: Key characteristics of retail segment

As on Dec-18	SME Loans	Housing Finance	Vehicle Finance
Focus area	Traders, manufacturers and Services. Turnover upto Rs. 25 crore	Affordable HF, Self-employed individuals in outskirts of urban markets, Tier II cities	Used CV (5 – 12 years)
Branches*	10	56	142
AUM	Rs. 1,862 crore	Rs. 424 crore	Rs. 982 crore
Average Yield	11.5%	13.3%	16.6%
Average Ticket Size	Rs. 1.3 crore	Rs. 12 lakh	Rs. 6 lakh
Average Tenor	15 years	20 years	3 years

Source: Company Data; ICRA research

**Some branches have multiple operating segments*

Limited track record of operations in retail segment

ICF has a moderate track record of seven years in wholesale financing, however its track record in the retail customer segment is limited in the SME business which was commenced in March 2015 and Commercial Vehicle Financing which commenced in October 2017. ICRA takes note of the growth in the CV financing business to Rs. 982 crore as on December 31, 2018 in the short duration of operations. The company's ability to profitably grow the retail book, while maintaining business growth shall be a key monitorable going forward.

Impact of proposed acquisition

On February 4, 2019, IndoStar Capital Finance Limited (ICF) had announced the signing of a binding agreement to acquire Commercial Vehicle (CV) business of India Infoline Finance Limited (IIFL). The acquired AUM of IIFL CV business comprises of Rs. 2,450 crore of loan portfolio and Rs. 1,499 crore of securitisation/ assignment portfolio. The total AUM of ICF on consolidated basis, post-acquisition will increase to Rs. 11,697 crore from Rs. 7,748 crore as at December 31, 2018 with retail AUM at Rs. 7,217 crore (62% of the total portfolio). The acquisition of IIFL CV business will also help in expanding the geographical footprint of the company as ICF would also be acquiring 1,337 employee team located in 161 branches spread over 18 states. Currently, ICF's CV segment has 1,010 employee team located in 142 branches across 17 states. In ICRA's opinion, this acquisition would improve the granularity of ICF's portfolio and is in line with the business plans of the company. The transaction is expected to get concluded by March 2019 and ICRA would continue to monitor the developments including rationalisation of branch network and stabilisation of operations.

Good Asset quality albeit on a low seasoned book

EXHIBIT 4: Asset quality indicators (Standalone)

Amount in Rs. crore	Mar-15 IGAAP	Mar-16 IGAAP	Mar-17 IGAAP	Mar-18 IGAAP	Dec-18 IndAS
Gross NPA	19.38	10	72.23	76.79	72.08
Net NPA	17.45	8	61.95	63.97	61.62
Gross NPA %	0.57%	0.23%	1.41%	1.29%	0.98%
Net NPA %	0.52%	0.19%	1.21%	1.08%	0.84%
Net NPA/ Net worth	1.36%	0.52%	3.26%	2.98%	2.09%

Source: Company Data; ICRA research; Amount in Rs. crore

The company's reported NPAs are comfortable with gross and net NPAs of 0.98% and 0.84% respectively as on December 31, 2018 down from 1.29% and 1.08% respectively as on March 31, 2018. ICF has set up good systems and processes for credit underwriting and monitoring of the portfolio. These include measures such as enlisting accounting and consulting firms to render services such as forensic audit, process audit and evaluation of risk systems, hiring external legal firms to vet the company's legal documentation. In terms of credit appraisal, the focus of the credit appraisal is on evaluation of strength of the promoter, underlying security and cash flows. Further, the company takes a minimum security cover of 1.5x to 2x, in the form of tangible securities for the wholesale lending business.

EXHIBIT 5: Sectoral asset quality

Segment	Particulars	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Wholesale lending	GNPA	1.7%	1.5%	1.1%	0.8%	0.4%	0.3%
	NNPA	1.4%	1.1%	0.9%	0.7%	0.2%	0.2%
SME	GNPA	2.5%	2.5%	2.1%	2.6%	2.4%	3.2%
	NNPA	2.3%	2.2%	1.8%	2.3%	1.9%	2.3%
CV Financing	GNPA/NNPA	Nil	Nil	Nil	Nil	Nil	0.1%/0.1%
Housing	GNPA/NNPA	Nil	Nil	Nil	Nil	Nil	0.1%/Nil

Source: Company Data; ICRA research; Amount in Rs. crore

Owing to the largely wholesale financing nature of its lending operations, the company's loan book remains exposed to lumpy slippages. ICF has diversified into granular SME lending and robustly growing the housing and vehicle finance business. The asset quality weaker in the SME segment with GNPA of 3.2% as compared to total GNPA of 0.98% as on December 31, 2018. (GNPA of 0.3% in corporate segment, NIL NPAs in CV and Housing segment). Overall, ability of company to maintain asset quality over the medium term shall be a key monitorable on account of the concentrated nature of wholesale exposures and the relatively low seasoned SME and CV financing book.

With respect to the proposed acquisition of CV business of IIFL. Given that the asset quality of the portfolio being acquired is relatively weaker (net NPA% of 4.4%, PCR – 50%) as compared to ICF's CV book, the blended asset quality is expected to be weaker than current levels; though the structuring of the transaction is expected to keep the credit costs limited for ICF.

FINANCIAL RISK PROFILE

EXHIBIT 5: Key financial indicators

Particulars	As per iGaap FY2015	FY2016	FY2017	FY2018	As per IND-AS 9MFY2019
Equity Capital	68	73	78	79	92
Net Worth	1,285	1,541	1,900	2,146	2,955
Portfolio	3,778	4,272	5,235	5,960	7,227
Total Assets	3,992	4,692	5,485	7,296	9,388
Net Interest Income	210	272	326	350	381
Profit before Tax (PBT)	226	292	320	361	277
Profit after Tax (PAT)	149	191	209	236	184
Yield on Average Earning Assets (%)	13.86%	13.75%	13.31%	11.71%	14.70%
Cost of Average Interest-bearing Funds (%)	11.29%	10.11%	9.46%	7.68%	9.40%
Gross Interest Spread (%)	1.90%	3.00%	3.41%	3.82%	4.25%
Net Interest Margin (%)	5.87%	6.33%	6.50%	5.75%	6.09%
Operating Expenses/Average Total Assets	1.15%	1.29%	1.39%	1.99%	2.39%
Provisions & Write offs/Average Total Assets (%)	0.08%	0.08%	0.24%	0.14%	0.36%
PBT /Average Total Assets	6.32%	6.73%	6.30%	5.65%	4.42%
Return on Average Total Assets (%)	4.17%	4.40%	4.11%	3.69%	2.94%
Return on Average Net Worth (%)	12.31%	13.52%	12.15%	11.64%	9.63%
Total Debt/Net Worth	2.05	2.01	1.84	2.31	2.14
Capital adequacy ratio	32.64%	34.20%	33.80%	28.30%	30.80%
Tier I Capital/Risk Assets	32.29%	33.80%	33.40%	28.00%	30.00%
Gross NPA	0.57%	0.23%	1.41%	1.29%	0.96%
Net NPA	0.51%	0.19%	1.21%	1.08%	0.82%
NNPA/Net worth	1.36%	0.52%	3.26%	2.98%	2.09%

Note: Amount in Rs. crore; All ratios as per ICRA calculation

Source: Company Data; ICRA research

Improved profitability supported by increased scale of operations

During 9MFY2019 the net interest margins of the company have been under pressure due to the growth in retail segment which are relatively low yielding asset classes as compared to wholesale lending. Overall the decline in non-interest coupled with increase in operating expenses due to retail expansion led to the moderation in profitability indicators with return of assets (ROA) of 2.94% and return on equity (ROE) of 9.63% during 9MFY2019 (3.69% ROA and 11.64% ROE in FY2018). During 9MFY2019, the company reported a net profit of Rs. 184 crore on a total income of Rs. 847 crore as compared to a net profit of 236 crore on a total income of 830 crore during FY2018. Going forward, the profitability is expected to be subdued in the medium term on account of incremental operating expenses to be incurred on expansion of retail loan book.

Impact of migration to Ind-AS

Fee income has reduced on account of amortization of upfront fees and acquisition. Additionally, employee expenses have been adversely impacted due to Fair value of stock options being recognised through P&L. However, the counter effect of lower provisioning by way of new expected credit loss model moderates the impact of Ind-AS.

Reconciliation of consolidated profit with iGaap:

Particulars	Q1FY19	Q1FY18	FY2018
Profit after tax as per previous GAAP	**44.9**	**53.3**	**224.4**
Ind AS adjustments increasing / (decreasing) profit:	-12.2	1.4	-30.1
Adoption of Effective Interest Rate (EIR) for financial assets recognised at amortised cost	0.7	-0.2	-1.1
Adoption of Effective Interest Rate (EIR) for financial liabilities recognised at amortised cost	-0.1	2.7	21.0
Expected Credit Loss Fair value of stock options as per Ind AS 102	-6.6	-7.5	-24.9
Gain/ (losses) on fair valuation of financial assets at fair value through profit and loss	-1.6	-	-2.1
Deferred Tax Assets on the above adjustments	6.4	1.2	13.2
Net profit after tax as per Ind AS	**31.5**	**51.0**	**200.4**

Source: Company; ICRA research, Amount in

Strong capitalisation; low gearing provides flexibility to borrow and expand the loan portfolio

EXHIBIT 6: Capitalisation profile

Particulars	Mar-15	Mar-16	Mar-17	Mar-18	Dec-18
Equity Capital	68	73	78	79	92
Net Worth	1,285	1,541	1,900	2,146	2,955
Equity infusion	-	-	150	-	700
Capital Adequacy Ratio	32.64%	34.20%	33.80%	28.30%	30.80%
Tier I CRAR	32.29%	33.80%	33.40%	28.00%	30.00%
Tier II CRAR	0.35%	0.40%	0.40%	0.30%	0.80%
Gearing (Reported)	2.05	2.01	1.84	2.31	2.14

Source: Company, ICRA research; Amounts in Rs. crore

ICF's capitalisation continues to remain strong with net worth of Rs. 2,955 crore and a gearing of ~2.1 times as on December 31, 2018. In May 2018, the company raised Rs. 700 capital through Initial Public offer (IPO) which would help meet funding requirement for financing the growth plans in retail segment.

With respect to the proposed acquisition of CV business of IIFL. The acquisition is expected to be debt funded (largely through bank borrowings), the gearing could increase from current low levels of ~2.1 times as on December 31, 2018 to around 2.7-3x. Nevertheless, given the strong capitalisation profile, the company has adequate cushion to manage the acquisition.

Well diversified borrowing profile

EXHIBIT 7: Borrowing profile

Borrowings	Mar-15		Mar-16		Mar-17		Mar-18		Sep-18		Dec-18	
	Amt	Share (%)	Amt	Share (%)	Amt	Share (%)	Amt	Share (%)	Amt	Share (%)	Amt	Share (%)
Term loans with banks	1,541	60%	1,452	50%	1,465	45%	1,770	42%	2,584	46%	2,824	46%
Debentures	689	27%	1,049	36%	1,121	34%	1,190	28%	2,555	45%	2,791	45%
Commercial Paper	344	13%	391	14%	692	21%	1,260	30%	536	9%	540	9%
Total	2,574	100%	2,892	100%	3,278	100%	4,219	100%	5,675	100%	6,155	100%
Gearing	2.05		2.01		1.84		2.31		2.00		2.14	

Source: Company, ICRA research; Amounts in Rs. crore

ICF has established relationships with a large number of banks and investors. The company has active funding relationships with more than 25 banks and 14 mutual fund houses. Over the years, the company has progressively moved the finding mix in order to include higher share of long-term funds. Long term borrowings accounted for ~90% of the company's overall borrowings with the balance being short-term borrowings in the form of commercial papers. Going forward, the company expects to maintain equal proportion of bank borrowings and capital market borrowings in the overall funding mix.

ICF has a sound policy of maintaining ~15% of net worth in liquid investments and undrawn bank lines at all times. As on October 31, 2018, the company did not have cumulative asset liability mismatch in the 6-month buckets. As on December 31, 2018. ICF had repayments of 698 crore over the next 3 months against which ICF holds cash and liquid investments (Investments in mutual funds and Fixed Deposits) Rs. 1,475 crore as on December 31, 2018 which provides comfort over the liquidity profile of the company.

BUSINESS & FINANCIAL OUTLOOK

EXHIBIT 8

Parameters	ICRA's Comments
Credit Growth	ICRA expects ICF's loan book to grow by 40-50% for FY2019 (excluding proposed acquisition). Due to low gearing levels, the company is well placed for their growth targets. The credit growth is expected to be driven by CV financing which is expected to have a larger share of incremental lending. The loan book grew by 65% (annualised) during H1FY19, however, the growth in H2FY19 is expected to be moderated due to slowdown in disbursements during Q3FY19.
Operating Profitability	ICF's operating profitability is expected to remain strong on the back of strong net interest margins and fee income as well as moderate provisioning.
Asset Quality	ICF's asset quality is expected to remain comfortable in FY2019. However, given the concentrated nature of its wholesale exposures and the relatively low seasoned SME book, the company is susceptible to lumpy deterioration in asset quality. Through structuring of the transaction for acquisition weaker asset quality CV business book of IIFL is expected to keep the credit costs limited for ICF. However, blended asset quality of CV book is expected to be weaker than current levels.
Capitalisation	ICRA expects the company's leverage to remain at 2.3-2.4 times at the end of FY2019 (excluding proposed acquisition). ICRA expects ICF to maintain a leverage of 2.7x – 3x post acquisition of CV business of IIFL. Nevertheless, given the strong capitalisation profile, the company has adequate cushion to manage the acquisition.
Liquidity	ICRA takes note of the company maintaining 15% of its net worth in a liquidity buffer at all points of time. Given the company's relationships with mutual funds and banks, the company's overall liquidity is expected to remain comfortable.
Borrowing Mix	Going ahead, the share of bank borrowings is expected to increase in the funding mix as the proposed acquisition is expected to be financed largely through bank borrowings.

BOARD AND MANAGEMENT PROFILE

Management profile

Name	Designation
Mr. R. Sridhar	Executive Vice -Chairman and CEO
Shailesh Shirali	MD, Head - Corporate Lending and Markets
Prashant Joshi	Chief Operating & Risk Officer
Pankaj Thapar	CFO
A.Gowthaman	Business Head - Vehicle Finance
Hansraj Thakur	Business Head -SME Finance
Shreejit Menon	Business Head - Affordable HF

Source: Company presentation, ICRA research

Board of Directors

Name	Designation
Mr. R. Sridhar	Executive Vice -Chairman and CEO
Mr. Sameer Sain	Non-Executive Director
Mr. Dhanpal Jhaveri	Non-Executive Chairman
Mr. Alok Oberoi	Non-Executive Director
Mr. Bobby K. Parikh	Non-Executive Independent Director
Mr. Dinesh Kumar Mehrotra	Non-Executive Independent Director
Mr. Hemant Kaul	Non-Executive Independent Director
Ms. Naina Krishna Murthy	Non-Executive Independent Director

Source: Company annual report, ICRA research

Annexure I: Past Financials

Particulars	Mar-16	As per iGaap Mar-17	Mar-18	Ind-AS Dec-18
Net Interest Income	272	326	350	381
Non-Interest Income	77	72	117	49
Operating Income	349	398	467	430
Operating expenses	53	66	109	150
Operating Profits	296	332	358	280
Provisions including NPA provisions	3	12	9	23
Net profit on sale of securities and assets	-	0	12	19
Profit Before Tax (before extraordinary items)	292	320	361	277
Profit Before Tax (PBT)	292	320	361	277
Tax	101	111	125	92
Profit After Tax (PAT)	**191**	**209**	**236**	**184**
Balance Sheet				
Net Hire Purchase/ Loan/ Lease Assets	4,265	5,145	5,960	7,523
Investments	10	197	1,049	909
Cash & Bank Balances	350	54	122	679
Advance Tax paid	-	-	-	12
Other Current Assets	54	64	86	142
Net Fixed Assets	4	9	62	66
Total Assets	**4,682**	**5,469**	**7,279**	**9,332**
Equity Share Capital	73	78	79	92
Reserves	1,468	1,822	2,067	2,863
Net Worth	1,541	1,900	2,146	2,955
Total Borrowings (including Preference Shares)	3,019	3,424	4,890	6,206
Interest Accrued but not due	74	76	61	132
Provisions for Tax	1	10	9	-
Other Current Liabilities & Provisions	57	74	190	95
Deferred Tax Liability	(10)	(16)	(16)	(56)
Total Liabilities	**4,682**	**5,469**	**7,279**	**9,332**

Source: Company, ICRA research; Note: Amounts in Rs. crore

KEY RATIOS	Mar-16	Mar-17	Mar-18	Dec-18
OPERATING RATIOS				
Yield on Average Earning Assets (Net of BO Costs)	13.1%	12.9%	11.3%	13.7%
Cost of Average Interest-Bearing Funds	10.1%	9.5%	7.7%	9.4%
Gross Interest Spread	3.0%	3.4%	3.7%	4.2%
PROFITABILITY RATIOS				
Interest Earned / Average Assets	13.0%	12.6%	10.8%	12.4%
Interest Expenses / Average Assets	6.7%	6.1%	5.1%	6.4%
Net Interest Margin/Average Assets	6.3%	6.5%	5.8%	6.1%
Fee based Income/Average Assets	1.8%	1.4%	1.8%	0.8%
Operating Expenses /Average Managed Assets	1.3%	1.4%	2.0%	2.4%
Operating Profit / Average Assets	6.8%	6.5%	5.6%	4.5%
Profit Before Tax / Average Assets	6.7%	6.3%	5.6%	4.4%
Tax / Profit Before Tax	34.7%	34.8%	34.7%	33.4%
Profit After Tax / Average Assets	4.4%	4.1%	3.7%	2.9%
Profit After Tax / Average Net worth	13.5%	12.1%	11.6%	9.6%
EFFICIENCY RATIOS				
Fee Based Income/Operating Expenses	136.7%	101.8%	85.8%	32.9%
Operating Cost/Operating Income	15.3%	16.5%	23.3%	34.8%
CAPITALISATION RATIOS				
Net Worth/ Total Assets	32.85%	34.65%	29.41%	31.48%
Total Debt / Net worth	2.01	1.84	2.31	2.14
Net NPA/Net worth	0.52%	3.26%	2.98%	2.09%
CRAR	34.20%	33.80%	28.30%	30.80%
Tier I Capital	33.80%	33.40%	28.00%	30.00%
ASSET QUALITY				
Gross NPA/Gross Advances	0.23%	1.41%	1.29%	0.96%
Net NPA/Net Advances	0.19%	1.21%	1.08%	0.82%

Source: Company, ICRA research; Note: Amounts in Rs. Crore; All ratios as per ICRA calculations

ANNEXURE II: DETAILS OF RATED FACILITY

Instruments	Amount – Rs. crore	Rating
Commercial Paper	1,250	[ICRA]A1+

RATING METHODOLOGY:

ICRA's Credit Rating Methodology for Non-Banking Finance Companies

RELATIONSHIP CONTACT

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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 and www.icraresearch.in

ICRA Limited

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