

SML Finance Limited

July 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	45.00	CARE B-; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) vide its press release dated April 07, 2021, placed the rating of SML Finance Limited (SMLFL) under the 'issuer non-cooperating' category as SMLFL failed to provide information for monitoring of the rating. SMLFL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated May 28, 2025, June 07, 2025, and June 17, 2025. In line with the extant SEBI guidelines, CareEdge Ratings has reviewed the rating on the basis of the best available information which however, in CareEdge Ratings' opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Rating assigned to SMLFL's bank facilities is constrained by moderate loan portfolio, geographically concentrated business, marginal credit profile of the borrower segment, moderate profitability, weak asset quality, and moderately diversified resource profile. However, the rating draws strength from the group's long track record of operations, experience of promoters, and the company's adequate capitalisation profile.

Analytical approach: Standalone

Detailed description of key rating drivers:

At the time of last rating on July 12, 2024, the following were rating strengths and weaknesses (updated for the information available from registrar of companies (FY24 refers to April 01 to March 31; audited financials) and other public information):

Key weaknesses

Moderation in loan portfolio

SMLFL's overall business moderated in FY24 with loan portfolio reduced from ₹114 crore as on March 31, 2023, to ₹108 crore as on March 31, 2024, registering the de-growth of 5%. The company started offering personal loans in FY19 and its share stood at 12.37% of the total portfolio as on March 31, 2024. The company also started extending its presence in gold loan and other new products such as property/mortgage loan (2.40% as on March 31, 2024). The share of gold loan increased from 7.27%, as on March 31, 2020, to 25.07% as on March 2024. The company's ability to maintain diversification in loan products and improve business volumes in each loan products remain critical from the rating perspective.

Geographically concentrated business

SMLFL currently operates only in southern and central Kerala with 56 branches as on December 31, 2019. Its associate company, BRD securities, is also engaged in the same operations of SMLFL in Kerala. However, BRD securities' operations are confined to northern and central Kerala, restricting SMLFL to expand in northern Kerala to avoid overlapping their business with BRD securities.

Marginal credit profile of borrower

SMLFL is primarily engaged in asset financing and business finance to the unorganised segment in the rural and semi-urban areas, which is characterised by marginal credit profile of borrowers and that are not serviced by the banking sector. This segment is highly susceptible to the impact of economic downturn and asset quality is a key monitorable. However, the management team's good knowledge and experience in this target customer segment provides comfort to an extent.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Weak asset quality

Net non-performing assets (NNPA) stood at 17.86% as on March 31, 2024, against 12.38% as on March 31, 2023. The company's ability to recover bad assets and reduce NPA level in the hire purchase (HP) segment and maintain good asset quality in new products remains critical for credit perspective.

Moderately diversified resource profile

SMLFL's funding profile is moderately diversified with resources such as retail non-convertible debentures (NCDs), sub debt and term loans and cash credit (CC) facilities. NCDs accounted ~35% (PY: 34%) and sub debt ~60% (PY: 57%) while bank facilities was ~5% (PY: 9%) of the total borrowing as on March 31, 2024.

Moderate profitability

SML reported loss of ₹0.66 crore in FY24 against profit of ₹0.55 crore in FY23. The company's net income margin (NIM) reduced to 5.43% in FY24 against 5.57% in FY23. Opex moderated to 7.04% in FY24 (PY:6.63%). Credit cost increased to 7.92% in FY24 (PY:2.94%). Despite increase in other income which comprises majorly of dividend from investments, recovery from bad debt, the company reported loss in FY24

Key strengths

Long track record of the group's operations and experienced promoters

SML group started business in 1980 with its registered office at Kunnankulam. SML group is currently operating with two main companies, SML Finance Limited and SML Motors, with branch offices across Kerala. Over the three decades of its operations, the SML group ventured across different businesses including new vehicle dealership, used vehicle dealership and NBFC. SMLFL has been operational for around two decades providing hire purchase facility for all kinds of two wheelers, three wheelers and four wheelers (new and used vehicles) and has provided finance for over one lakh vehicles. SMLFL was promoted by William Varghese who has experience of ~20 years in vehicle financing. He is the sole proprietor of SML Motors and the founder of BRD group of companies.

Adequate capitalisation profile

SML's net worth stood at ₹53.63 crore as on March 31, 2024, against ₹54.19 crore as on March 31, 2023. Gearing stood at 1.99x as on March 31, 2024, against 2.12x as on March 31, 2023. The company's total capital adequacy ratio (CAR) was adequate at 23.81% and tier I capital was ~15.88% as on March 31, 2019. CAR was adequate at 25.00% and tier I capital was around 16.67% as on December 31, 2019.

Applicable criteria

[Definition of Default](#)

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non banking financial company (NBFC)

SMLFL is a non-banking finance company (NBFC- ICC), and part of the SML group. It was incorporated on August 13, 1996, as a private limited company under the name 'SML Finance Private Limited' and was later converted to a limited company on June 18, 1998. The company extends business loans and HP loans for financing three wheelers, two wheelers, cars, and light commercial vehicles (LCV) for old and new vehicles. The company also extends personal loans, gold loans, consumer durable loans and property/mortgage loans. The company has its registered office at Thrissur, Kerala and corporate office in Cochin, Kerala. As on December 31, 2019, the company operates with 56 branches with the entire portfolio concentrated in the southern and central Kerala. Apart from SMLFL, the group includes SML Motors, which is an authorised dealer for Piaggio vehicles. SML's promoter group also has interest in the BRD group of companies, (all firms in BRD group promoted by SML's promoters and promoter holds majority shares in both groups), which has presence in vehicle dealerships (three wheelers, LCVs, and cars), vehicle financing,

vehicle body fabrication, chit funds, education and real estate. SML and BRD group entities operate in different regions of Kerala; while SML group mainly operates in southern and central Kerala, the BRD group largely operates in some central and northern Kerala.

Brief Financials (₹crore)	31-03-2022 (A)	31-03-2023 (A)	31-03-2024 (A)
Total operating income	34.69	35.62	40.74
PAT	0.31	0.55	-0.66
Interest coverage (times)	1.04	1.07	0.98
Total Assets	205.50	188.58	172.79
Net NPA (%)	10.51	12.38	17.86
ROTA (%)	0.14	0.27	NM

A: Audited; NM: Not Meaningful Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	45.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	45.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (12-Jul-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (07-Jun-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (10-May-22)

*Issuer did not cooperate; based on best available information.

LT: Long term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Analytical Contacts Vineet Jain Senior Director CARE Ratings Limited Phone: +91-22-6754 3623 E-mail: vineet.jain@careedge.in Akansha Akshay Jain Assistant Director CARE Ratings Limited Phone: +91-22-6754 3491 E-mail: akansha.jain@careedge.in Sakshi Arora Assistant Director CARE Ratings Limited E-mail: sakshi.arora@careedge.in
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