

## SRG Securities Finance Ltd.

April 04, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long term bank facilities	6.50	<b>CARE BB; Stable</b> <b>[Double B; Outlook: Stable]</b>	<b>Reaffirmed</b>
Total	<b>6.50</b> <b>(Rupees Six crore and Fifty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of SRG Securities Finance Ltd. (SSFL) continues to remain constrained on account of its relatively small scale of operations despite increase in FY17 (refers to the period April 1 to March 31) and 9MFY18, concentrated resource base, regional concentration of its operation and moderate asset quality and earnings profile.

The rating continues to derive strength from the long experience of the promoters in the financing industry along-with operational support from group companies, secured nature of portfolio and comfortable capital adequacy with equity infusion in 11MFY18.

Increase in the scale of operations with greater geographical and resource base diversification and improvement in asset quality are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weakness

**Small size of operation with regional concentration of operations:** As on March 31, 2017, its outstanding loan portfolio was Rs.13.53 crore and total asset size was Rs.16.44 crore. Further, outstanding loan portfolio has increased to Rs.16.76 crore as on December 31, 2017. SSFL has presence in only two states, viz. Rajasthan and Maharashtra through a network of 17 branches apart from the Head Office at Udaipur. As of December 31, 2017, 96% of the loan book was concentrated in Rajasthan and the remaining 4% in Mumbai (Maharashtra).

#### Moderate asset quality and earnings profile

The company's asset quality remained moderate with Gross NPA and Net NPA at 1.65% and 0.98% respectively as on March 31, 2017 which improved from 2.13% and 1.44% respectively as on March 31, 2016 owing to non-addition of any loans in NPA bucket during FY17. Further, Gross NPA and Net NPA have improved to 1.31% and 0.78% as on December 31, 2017.

The interest income of SSFL grew by 36% during FY17 mainly due to growth in loan portfolio by 18.38% during FY17. SSFL's net interest margin has deteriorated by 100 bps to 10.07% in FY17 mainly due to debt funded expansion of portfolio. However, same has improved to 11.77% during H1FY18 due to increase in the proportion of higher interest earning Business Loans. However, the company's ROTA has increased to 2.33% in FY17 from 1.91% in FY16 due to lower operating expenses. Further, the same has improved to 3.40% (annualised) during H1FY18.

**Concentrated resource base:** SSFL's resource base is concentrated at present and additional bank limits and term loans shall be critical for envisaged growth in its loan portfolio, going forward.

#### Key Rating Strength

**Experienced promoter group along-with operational support from group companies:** SSFL has been promoted by the Jain family represented by Mr Vinod Jain who looks after the overall management of the company. Mr Vinod Jain has an overall experience of more than 20 years in different businesses such as transport, finance, insurance and construction and has been associated with SSFL since inception.

The promoters have also promoted SRG Housing Finance Ltd. [SHFL, rated CARE BBB-; Stable] which is a Housing finance company engaged in the financing of housing and mortgage loans. The company also utilises branch network of group entities for its operations.

**Secured and diversified nature of portfolio:** SSFL's product profile is diversified as it offers Equipment & machinery loans, Business Loans and Vehicle loans. All the loans are secured by the hypothecation of the asset financed in the case of Equipment & machinery loans and vehicle loans. In the case of Business loans, the company provides loans to the corporate customers against immovable properties (Loan against property) which are hypothecated by it in order to secure the said loan.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Comfortable gearing and high capital adequacy levels:** During FY17, SSFL's loan book has been largely funded through debt due to which its gearing deteriorated though remained comfortable at 1.12 times as on March 31, 2017 and has further deteriorated to 1.16 times as on September 30, 2017 as compared to 0.98 times as on March 31, 2016. However, equity infusion of Rs.3.75 crore during Q4FY18 will improve the overall gearing going forward. As the company is yet to leverage its equity, it has reported high capital adequacy ratio (CAR) of 48.69% as on March 31, 2017.

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

[Factoring linkages in ratings](#)

#### About the Company

SRG Securities Finance Ltd. (SSFL) is an Udaipur-based small-sized Non-Banking Finance Company (NBFC) and is engaged in the secured financing of Equipment & machinery loans, Business loans and Vehicle loans. SSFL commenced operations from 1999 after getting registered with Reserve Bank of India. The company operates from its Head Office at Udaipur (Rajasthan) and has operations in Rajasthan and Maharashtra.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1.97	2.64
PAT	0.23	0.36
Interest coverage (times)	1.64	1.52
Total Assets	14.55	16.44
Net NPA (%)	1.44	0.98
ROTA (%)	1.91	2.33

A-Audited

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	September, 2021	3.50	CARE BB; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	3.50	CARE BB; Stable	-	-	1)CARE BB; Stable (18-Jan-17)	1)CARE BB (25-Aug-15)
2.	Fund-based - LT-Cash Credit	LT	3.00	CARE BB; Stable	-	-	1)CARE BB; Stable (18-Jan-17)	1)CARE BB (25-Aug-15)

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