



RATING RATIONALE

17 August 2021

SRG Securities Finance Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 30 Crs. of SRG Securities Finance Limited; Outlook changed to ‘Negative’ from ‘Stable’

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2020)	Present
Fund Based - Bank Loan Rating	30.00	30.00	Long Term	BWR BB / Stable	BWR BB /Negative (Reaffirmed; with change in Outlook to Negative from Stable)
Total	30.00	30.00	Rupees Thirty Crores Only		

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

** Details of Bank Loan facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the rating of bank loan facilities of Rs. 30 Crs of SRG Securities Finance Limited (SSFL or the company) at “BWR BB” while changing the outlook to ‘Negative’ from ‘Stable’, as tabulated above. The change in outlook is because of the degrowth in the company’s loan book as the company has not been able to tie up additional debt funding during FY 21 . Consequently, the Company made Nil disbursements in FY 21. The rating however continues to draw comfort from adequate capitalisation and liquidity, experienced promoters and operational synergies with the group’s flagship company SRG Housing Finance Limited. The rating is, however, constrained by the small scale of operations, average asset quality and earnings profile

BWR believes SSFL’s credit risk profile could deteriorate over the medium term. The Negative outlook indicates a strong likelihood of a downward rating change over the medium term, especially in the absence of incremental tie up of debt funding in future.

KEY RATING DRIVERS

Credit Strengths:-

- **Experienced promoters:** The company is promoted by Mr. Vinod Kumar Jain who has more than two decades of experience in credit and holds 62.63% in the Company along with his family members. He is also the promoter of SRG Housing Finance Ltd (rated BWR BBB/ Stable), a housing finance company registered with National Housing Bank. He is also supported by an experienced management team. The company also benefits from operational synergies with SRG Housing Finance Ltd.
- **Adequate capitalisation:** The company was adequately capitalised, with a networth of Rs 13.04 Crs and capital adequacy ratio (CAR) of 95.98% as on 31 March 2021. The



company's gearing was low at 0.04 times as on 31 March 2021, compared with 0.54 times as on 31 March 2020. BWR believes the company, at the current level of operations, is well-capitalised to cover for any asset side risks, including those arising due to the COVID-19 crisis, over the medium term.

Credit Risks:-

- **Small scale of operations:** The company currently has a small scale of operations and operates mainly from its head office in Udaipur, Rajasthan. The total portfolio has de-grown to Rs 11.43 Crs as on 31 March 2021 from Rs 15.66 Crs as on 31 March 2020. The decrease in portfolio was due to decline in disbursements as the company faced challenges in raising fresh borrowings. Further the portfolio is presently concentrated in a single state of Rajasthan resulting in a geographic concentration risk. The company has an average resource profile with banking arrangement only with a single lender. The ability of the company to raise additional borrowings and build its loan portfolio will be a key monitorable.
- **Average asset quality and earnings profile:** The company has an average asset quality with gross non-performing assets (GNPAs) of 3.66% as on 31 March 2021 (PY: 4.31%). The company largely lends to the self-employed category of borrowers in rural and semi-urban areas, which are relatively riskier segments. The ability of the company to manage asset quality is a key rating monitorable. Return on average assets improved to 2.73% for FY21 compared with 1.78% for FY20 mainly due to Nil disbursements in FY21.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has taken a standalone approach of SRG Securities Finance Limited for arriving at the ratings. BWR has applied its rating methodology as detailed in the Rating Criteria below

(hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The company's ability to improve its resource raising capability and grow its loan portfolio, while improving its asset quality and maintaining a prudent capital structure are key rating positives

Negative: A deterioration in the asset quality / capital structure or inability to raise resources to grow the loan book are key rating negatives.

LIQUIDITY INDICATORS: ADEQUATE

As on 30 June 2021, the company had Rs. 0.26 Crs of cash and cash equivalents and Rs. 2.87 Crs of undrawn credit facility (Cash Credit). The company has upcoming debt repayments of Rs. 2.45 Crs between July 2021 and March 2022 which compares favorably with available liquidity ensuring adequate funds to meet short-to medium-term repayment obligations in case there is stress on collections, going forward.

COMPANY'S / FIRM' PROFILE

SRG Securities Finance Limited (SSFL) is a Non-Banking Finance Company (NBFC) headquartered in Udaipur, Rajasthan, and is listed on the SME platform of BSE. It was

incorporated on 6th March 1995 and started its operations in 1999, after getting registered with RBI. The company is promoted by Mr. Vinod Kumar Jain, who has more than 20 years of experience in credit and finance. The promoter and promoter group held a 62.63% stake in SSFL as on 31 March 2021.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY20	FY21
Result Type		Audited	Audited
Portfolio	Rs. in Crs	15.66	11.43
Net Interest Margin	%	15.15%	18.29%
Profit After Tax	Rs in Crs	0.38	0.51
Tangible Networth	Rs in Crs	12.27	13.04
Debt: TNW	Times	0.54	0.04
CRAR	%	68.51%	95.98%
GNPA	%	4.31%	3.66%
NNPA	%	Nil	Nil
ROA	%	1.78%	2.73%

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY - NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument	Current Rating (2021)			Chronology of Rating History for the past 3 years								
		Type	Amount (Rs. Crs.)	Rating	2020			2019			2018		
1	Bank Loan Facilities	Long Term	30.00	BWR BB / Negative (Reaffirmation; with change in outlook to Negative)	12.08.2020			08.08.2019			11.07.2018		
					Long Term	30.00	BWR BB / Stable (Reaffirmation)	Long Term	30.00	BWR BB / Stable (Reaffirmation)	Long Term	30.00	BWR BB / Stable (Assignment)

COMPLEXITY LEVELS OF THE INSTRUMENTS - SIMPLE

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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SRG Securities Finance Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs. Crs.)	Total (Rs.Crs.)
1	State Bank of India	Term Loan o/s	2.47	NA	2.47
2	State Bank of India	Cash Credit	3.00	NA	3.00
3	NA	Proposed Bank Facilities	24.53	NA	24.53
		TOTAL	30.00	NA	30.00

Rs. Thirty Crores only

ANNEXURE II

INSTRUMENT (NCD) DETAILS - NA

ANNEXURE III

List of entities consolidated: NA

For print and digital media

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