

August 10, 2015

Facility	Amount (Rs. Crore)	Rating
Fixed Deposit	3.00	SMERA FB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA FB**' (**read as SMERA FB**) to the Rs.3.00 crore fixed deposits of Selvaganpathy Leasing and Finance Limited (SLFL). The rating is constrained by the company's small-scale of operations, limited geographical and product diversity. However, the rating is supported by the long-standing experience and strong domain knowledge of the promoter. The rating is also supported by the company's high capital adequacy and low non-performing asset (NPA) levels.

SLFL, incorporated in 1994, is a Tamil Nadu-based non-banking financial company (NBFC) engaged in the business of vehicle financing. The company has a loan portfolio of Rs.4.70 crore (provisional) in FY2014-15 (refers to financial year, April 1 to March 31) and its operations are currently limited to Salem district. Also, the company has limited product diversity with around 80 per cent of net interest income of Rs.1.35 crore (provisional) being generated from two wheeler financing in FY2014-15.

However, SLFL benefits from its experienced management. The company is headed by Mr. B.P. Uday kumar, the promoter who has over two decades of experience in the finance industry. The company has a comfortable capital adequacy level of 54.05 per cent and low gearing of 0.37 times (provisional) in FY2014-15 apart from strong asset quality with 0.4 per cent of NPAs over the years.

Outlook: Stable

SMERA believes the outlook on SLFL's rated facilities will remain stable over the medium term. The company will continue to benefit from its experienced management and strong asset quality. The outlook may be revised to 'Positive' in case the company achieves sustained growth in the asset book while maintaining strong asset quality and healthy returns. The outlook may be revised to 'Negative' in case expansion in the operations lead to deterioration in the asset quality or profitability of the company.

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Rating sensitivity factors

- Size of operations
- Asset quality
- Capital adequacy levels

About the Company

SLFL, incorporated in 1994, is a Tamil Nadu based non-banking financial company (NBFC) engaged in vehicle financing (two, three and four wheelers) in Salem.

The company reported profit after tax (PAT) of Rs.0.38 crore on interest income of Rs.1.39 crore for FY2013-14 as compared to PAT of Rs.0.37 crore on interest income of Rs.1.32 crore for the previous year. The loan portfolio stood at Rs.4.48 crore for FY2013-14 compared to Rs.4.59 crore in the previous year. The company's capital adequacy stood at 54.05 per cent and net worth at Rs.3.73 crore as on March 31, 2014.

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