

Selvaganpathy Leasing and Finance Limited: Reaffirmed

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

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

Update

SLFL has limited product diversity. Around 80 per cent of the net interest income of Rs.1.53 crore was generated from two-wheeler financing in FY2015-16 as against Rs.1.47 crore in FY2014-15. The company's loan portfolio has grown to Rs.4.97 crore in FY2015-16 against Rs.4.71 crore in FY2014-15 (refers to financial year, April 1 to March 31). The operations are currently limited to Salem district.

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 85.01 per cent and low gearing of 0.24 times in FY2015-16 in addition to adequate asset quality with 1.40 per cent of NPAs during the year.

Outlook: Stable

SMERA believes that the outlook on SLFL's rated facilities will remain stable over the medium term owing to its experienced management and strong asset quality. The outlook may be revised to 'Positive' if 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 of expansion in operations leading to deterioration in the asset quality or profitability.

Rating Sensitivity Factors

- Improvement in scale of operations
- Sustenance of asset quality
- Sustenance of capital adequacy levels

Criteria applied to arrive at the rating:

- Non-Banking Finance Companies

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).

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 capital adequacy stood at 54.05 per cent and net worth at Rs.3.73 crore as on March 31, 2014.

Rating History

Date	Facility	Amount	Rating		Outlook
		(Rs. Crore)	Long Term	Short Term	
10 Aug, 2015	Fixed Deposit	3.00	SMERA FB (Assigned)	-	Stable

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ABOUT SMERA

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