

### Shriram Chits Tamilnadu Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Bank Guarantee I	30.00	SMERA A2+ (Reaffirmed)
Bank Guarantee II	28.00	SMERA A2+ (Reaffirmed)
Bank Guarantee (Proposed)	2.00	SMERA A2+ (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA A2+**' (read as **SMERA A two plus**) on the abovementioned bank facilities of Shriram Chits Tamilnadu Private Limited (SCTPL). The rating is supported by the company's long operational track record and experienced management. The rating also draws support from the strong brand position of the company in the chit fund industry and benefits derived from being a part of the Shriram Group. The rating has also factored in the company's strong liquidity position. However, the rating is constrained by the modest scale of operations, profitability and risks associated with the chit fund business.

#### Update

SCTPL, incorporated in 1989, is a Chennai-based company engaged in the chit fund business in Tamilnadu. The company is a part of the Shriram Group. The finance division (including chit fund) of Shriram Group is run by Shriram Ownership Trust. The board of directors, Mr. Vijay Thyagarajan and Mr. Ramasubramanian Chandrasekar possess experience of over two decades in the BFSI sector. Over the last 26 years the 'Shriram' brand has created a strong position for itself in the chit fund business in South India.

SCTPL has strong liquidity with no fund based facilities and net cash accruals of Rs.6.96 crore in FY2015-16. The company has unencumbered cash and cash equivalents of ~Rs. 100.00 crore as on March 31, 2016.

The moderate scale of operations are reflected in the total income of Rs.103.11 crore in FY2015-16 as compared to Rs.109.76 crore in FY2014-15. The number of operative branches has been reduced to 107 in FY2015-16 from 116 in FY2014-15. The number of groups stood at 2,414 in FY2015-16 as compared to 2,703 in FY2014-15. Further, the subscriber base fell to 91,804 in FY2015-16 from 105,164 in FY2014-15.

#### Rating Sensitivity Factors

- Improvement in scale of operations and profitability
- Movement in liquidity position

#### About the Company

SCTPL has been in the chit fund business since 1989, with operations spread across Tamil Nadu. Part of the Shriram Group of Companies, the company was promoted by Mr. R. Thyagarajan. SCTPL is a registered chit fund company under the Chit fund Act. 1982.

In FY2015-16, the company reported profit after tax (PAT) of Rs.5.24 crore on operating income of Rs.90.26 crore against PAT of Rs.4.13 crore on operating income of Rs.96.46 crore in the previous year.

**Rating History:**

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
22 July, 2015	Bank Guarantee I	30.00	-	SMERA A2+ (Assigned)	-
	Bank Guarantee II	28.00	-	SMERA A2+ (Assigned)	-
	Bank Guarantee (Proposed)	2.00	-	SMERA A2+ (Assigned)	-

**Contacts:**

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.