

Press Release

Shriram Chits Tamilnadu Private Limited (SCTPL)

March 17, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.60.00 Cr.
Short Term Rating	SMERA A2+

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the short term rating of **'SMERA A2+' (read as SMERA A two plus)** on the Rs. 60.00 cr. bank facilities of Shriram Chits Tamilnadu Private Limited (SCTPL).

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.

Key rating drivers

Strengths

Part of Shriram group

SCTPL is part of Shriram group of Companies (Finance Division). 99.99% shares are held by Shriram Ownership Trust, created as governing council for Shriram Finance Division. Shriram group started chit fund business three decades ago. Mr. R Thyagarajan, Mr. AVS Raja and Mr. T Jayaraman ventured into these businesses. The Group at present manages assets of over Rs. 90,000 Cr (including Non-Financial services). From strategic view, chit business is important for Shriram Group, since the flagship companies (Shriram City Union and Shriram Transport) are leveraging their market reach on the branch network of Shriram Chits.

Long operational track record and experienced management

SCTPL incorporated in the year 1989 and since then engaged in chit fund business in Tamil Nadu. The finance division of Shriram Group is governed by Shriram Ownership Trust; the members of the council are having extensive experience in their respective fields. The board of directors are professionals and having experience of more than two decades in their respective fields.

Strong brand and market position in chit business

Over last 26 years brand 'Shriram' has evolved and created strong position in chit fund business in South India. Shriram Chits is the leading company in Chit fund industry. SCTPL has maintained trustworthy position among members at times when industry gone through negative events/scams and closure of chit fund/nidhi businesses.

Weaknesses

Modest scale of operations

SCTPL has modest scale of operations with total income of Rs 106.83 crore in FY2017 as compared to Rs. 103.11 crore in FY2016.

Modest profitability supported by interest income on fixed deposits

SCTPL has modest profitability of Rs.2.29 crore in FY2017. However, considering FD as operating income SCTPL has made operating income of Rs.106.83 crore.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SCTPL to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	106.83	103.11	109.76
EBITDA	Rs. Cr.	1.07	5.52	4.86
PAT	Rs. Cr.	2.29	5.24	4.13
EBITDA Margin	(%)	1.00	5.35	4.43
PAT Margin	(%)	2.15	5.08	3.77
ROCE	(%)	2.28	6.61	7.67
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	4.93	9.58	7.72
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	1,848	2,510	2,447

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook

03-Nov-2016	Bank Guarantee	Short Term	30.00	SMERA A2+ (Reaffirmed)
	Bank Guarantee	Short Term	28.00	SMERA A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.00	SMERA A2+ (Reaffirmed)
22-July-2015	Bank Guarantee	Short Term	30.00	SMERA A2+ (Assigned)
	Bank Guarantee	Short Term	28.00	SMERA A2+ (Assigned)
	Proposed Bank Guarantee	Short Term	2.00	SMERA A2+ (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A2+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00	SMERA A2+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A2+

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ABOUT SMERA

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