

**November 26, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Working Capital Limit	6.50	SMERA BB+/Stable (Assigned)
Proposed Fund Based Limit	3.50	SMERA BB+/Stable (Assigned)
Fixed Deposit	2.00	SMERA FBB+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.10.00 crore bank facilities of Sheikh Farid Finvest Limited (SFFL). SMERA has also assigned a rating of '**SMERA FBB+**' (read as **SMERA F double B plus**) to the fixed deposit of Rs.2.00 crore. The outlook is '**Stable**'.

The ratings are supported by the company's long track record of operations, experienced management, comfortable asset quality and adequate earnings. The ratings also draw comfort from the gross non-performing assets (GNPA), as percentage of its advances, have been nil for the 17 years ended 2014-15 (refer to financial year, April 1 to March 31). However, the aforementioned strengths are partially offset by the small scale of operations and geographical concentration risk since operations are limited to Punjab. The ratings also take into account the fact that two wheeler vehicle financing accounts for over 95 percent of the company's overall portfolio. The company intends to enter into four wheelers financing segment.

Outlook: Stable

SMERA believes that the outlook on SFFL's rated facilities will remain stable over the medium term. The company will continue to benefit from the experienced management in the asset financing space and comfortable asset quality. The outlook may be revised to 'Positive' in case of substantial growth in the scale of operations while maintaining asset quality. Conversely, the outlook may be revised to 'Negative', with significant deterioration in the asset quality, profitability, capital levels or diversification into unrelated businesses.

Rating Sensitivity Factors

- Improvement in scale of operations while maintaining asset quality and regulatory requirements
- Efficient asset liability management
- Geographical diversification of loan portfolio

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**About the Company**

The Punjab-based NBFC, SFFL was incorporated in 1996. The company is into asset financing (mainly personal and commercial vehicles with the ticket size ranging from Rs. 60, 000 to Rs. 10, 00, 000 and tenure of 12 to 36 months. The company operates across five districts of Punjab namely Moga, Faridkot, Ferozepur, Muktsar and Bhatinda. SFFL has Assets under Management (AUM) of Rs.22.50 crore as on March 31, 2015.

SFFL reported profit after tax (PAT) of Rs.1.32 crore on interest income of Rs.6.36 crore for FY2014-15 as compared to PAT of Rs.1.30 crore on interest income of Rs.6.00 crore. The loan portfolio for FY2014-15 stood at Rs.22.50 crore compared to Rs.24.41 crore for the previous year. SFFL's net worth stood at Rs.14.48 crore as on March 31, 2015, as against Rs.13.16 crore a year earlier.

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