

November 26, 2015

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

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

**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.smerra.in](http://www.smerra.in)) for the latest information on any instrument rated by SMERA.

## 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.

## Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: <a href="mailto:parimal.thakker@smera.in">parimal.thakker@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**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.