



Press Release
SRG HOUSING FINANCE LIMITED
February 28, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	275.00	ACUITE BBB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	275.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) on the Rs. 275.00 Cr. bank facility of SRG Housing Finance Limited (SHFL). The outlook is ‘**Stable**’.

Rationale for the rating

The assigned rating factor's in the SRG Housing Finance Limited's (SHFL) experienced management, established presence in its area of operations, healthy capital structure and moderate financial risk profile. The rating also considers the granularity of the portfolio with average loan size in the range of Rs. 6-8 lakhs and LTV ratio of around 40 percent. SHFL has maintained healthy capital structure and demonstrated ability to attract funding from banks and financial institutions at a competitive rate of interests. SHFL reported a networth of Rs. 207.85 Cr. and Capital Adequacy Ratio (CAR) of 39.85 percent as on December 31, 2024. SHFL was able to raise funds to the tune of ~Rs. 100 Cr. during H1FY2024 in the form of term loans facilities. The rating also factors in SHFL's GNPA levels of 1.98 percent and ~89.06 percent of on-times portfolio as on December 31, 2024 along with healthy scheduled collection efficiency of ~90.47 percent for the month of Dec 2024.

The rating is however, constrained by the relatively small scale of operations and geographical concentration of the loan portfolio with ~49 percent in Rajasthan followed by ~38.93 percent in Gujrat, ~9.22percent in Madhya Pradesh, ~2.60 percent in Maharashtra, ~0.14 percent in Andhra Pradesh & ~0.10 percent in Karnataka.

About the company

SRG Housing Finance Limited (which was originally incorporated as Vitalise Finlease Private Limited in 1999 and later renamed in 2000 as SRG Housing Finance Private Limited) is an Udaipur based Housing Finance Company (HFC). In 2002, the company was registered as HFC with National Housing Bank and in 2004 was reconstituted as a public limited company. SHFL is engaged in extending Home loans and Loan against property. The company is promoted by Mr. Vinod Kumar Jain who has over two decades of experience in financial services. SHFL is listed on BSE platform. The company operates through a network of 84 branches spread across seven states namely, Rajasthan, Madhya Pradesh, Gujarat, Andhra Pradesh, Karnataka, New Delhi and Maharashtra as on December 31, 2024.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered standalone business and financial risk profile of SHFL to arrive at the rating.

Key Rating Drivers

Strength

Established presence in the areas of operations.

SRG Housing Finance Limited commenced its lending operations as a housing finance company since 2002. SHFL

has established its presence as a housing finance company especially in Rajasthan. The promoter of the company Mr. Vinod Kumar Jain has over two decades of experience in financial services. Mr. Jain has been associated with financial services sector since 1991 by way of providing vehicle financing. Later, the promoter family shifted its focus on Housing Finance. SHFL primarily extends housing loans, loan against property and builder/project loans.

The company majorly caters to self-employed borrowers in rural and semi-urban areas. SHFL focuses on Tier II & Tier III cities with ~90 percent of loan portfolio in rural areas and ~8 percent in urban areas followed by ~2 percent in semi-urban areas. The company has modest loan portfolio of Rs. 566.06 crore as on December 31, 2024 having average ticket size of Rs. 6-8 lakhs. SHFL has gradually diversified its operations from Rajasthan to Madhya Pradesh, Gujarat, Karnataka, Andhra Pradesh and Maharashtra over the years and has created a borrower base of ~13,338 borrowers as on December 31, 2024.

Acuité believes that the company will benefit from its experienced promoters and established presence in financial services industry.

Healthy capital structure & financial risk profile

SHFL's networth stood at Rs. 207.85 Cr. as on December 31, 2024 and reported a healthy capital adequacy ratio (CAR) of 39.85 percent majorly comprising Tier 1 capital. The company's leverage indicators stood at 2.72 times as on December 31, 2024 and 3.08 times as on March 31, 2024. The company has a diversified lender profile comprising Banks and NBFC/FI's, with total debt of Rs. 566.06 Cr. outstanding as on December 31, 2024.

SHFL's AUM grew from Rs 601.59 Cr. in FY24 to Rs 707.47 Cr. in December 31st 2024, owing to the healthy disbursement growth. SHFL expanded its branch network from 62 branches in FY23 to 84 branches in FY24 resulting into higher operating costs, hence reporting slight moderation in profitability metrics. SHFL's Net Interest Margin (NIM) stood at 11.72 percent as on March 31, 2024 (11.69 percent as on March 31, 2023). The company's Return on Average Assets (RoAA) stood at 3.59 percent as on March 31, 2024 (3.69 percent as on March 31, 2023). Operating Expense to Earning Assets, remained high at 8.08 percent as on March 31, 2024 as against 7.61 percent as on March 31, 2023. During 9MFY25, the company reported PAT of Rs. 18.20 Cr. as compared with H1FY25 it stood at Rs.12.46 Cr.

Acuité believes that the company's comfortable capitalization levels will support its growth plans over the medium term.

Weakness

Small scale of operations & geographical concentration

The company extends loan against property to borrowers who are self-employed and are engaged in small businesses and trading activities in Tier II & Tier III areas. With a loan book of Rs. 707.47 crore as on December 31, 2024, the company has small scale of operations. The company's operations are concentrated in Rajasthan with ~49.01 percent of the overall outstanding portfolio as on December 31, 2024. SHFL has started to diversify its geographical presence by operating branches in Madhya Pradesh, Gujarat, Andhra Pradesh, Karnataka and Maharashtra. Occurrence of events such as slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting the credit profile of SHFL.

Acuité believes that the company's ability to scale-up its business model & franchise as well as geographically diversify its operations are critical.

Susceptible to inherent risks in LAP segment amidst relatively low seasoned portfolio; likelihood of elevated stress in asset quality

SHFL's product portfolio comprises housing loans and loan against property having an average tenure of 6-7 years. The company's loan book of Rs. 707.47 Cr. as on December 31, 2024 has grown significantly from Rs. 81.83 Cr. as on March 31, 2017. Due to substantial growth in loan book in the last couple of years, ~45 percent of the overall portfolio has a seasoning of less than two years. Also, over past three years, the company's product mix has gradually changed towards loan against property. Initially, loan against property constituted ~9 percent of the overall loan book as on March 31, 2017, which has increased to ~27 percent of the total outstanding portfolio of Rs. 707.47 Cr. as on December 31, 2024.

The company's gross non performing assets (GNPA) levels (at PAR 90+ days past due) stood at 1.98 percent as on December 31, 2024 and 2.29 percent as on March 31, 2024. The GNPA levels for December 31, 2024 were at 1.98 percent with delinquencies in softer buckets of 0-30 dpd and 31-90 dpd at 3.51 percent and 3.52 percent respectively. Despite these delinquencies, SHFL has maintained GNPA at lower levels characterizing behaviour of portfolio having exposure to rural & semi-urban areas. The overall collection efficiency stood at an average of ~90.47 percent for 6-month period ended Dec 31, 2024. While the housing finance as an asset class has been relatively resilient, low portfolio seasoning coupled with any rising share of LAP could result into asset quality pressures.

Acuité believes that the company's ability to maintain its asset quality given low seasoning will remain a key rating monitorable.

ESG Factors Relevant for Rating

SRG Housing Finance Limited (SHFL) belongs to the housing finance sector which complements banks' efforts in improving mortgage penetration in India. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contribution to financial inclusion and community development, responsible financing including funding of environmentally friendly housing projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. SHFL maintains adequate transparency in its

business ethics practices as can be inferred from the entity's disclosures regarding related party transactions, vigil mechanism, insider trading and whistle blower policy. It also adheres to Reserve Bank of India's Fair Practices Code and has the necessary interest rate and grievance redressal policies. The board of directors of the company comprises four independent directors and two female directors out of a total of seven directors. The company works on several community development initiatives through its CSR projects.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity & capitalization buffers
- Movement in profitability metrics
- Changes in the regulatory environment

Liquidity Position Adequate

SHFL's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated December 31, 2024. The company has maintained cash and bank balances of ~Rs. 21.25 Cr. as on March 31, 2024. The borrowing profile of SHFL of ~Rs. 566.06 Cr. as on December 31, 2024 comprised Term loans from Banks, NBFC/FI's and NCD's . As per ALM statement, the company has debt servicing obligations of Rs. ~126 Cr. over the period of one year vis a vis collection from advance and proceeds from investments of Rs.133.13 Cr.

Outlook:

Stable.

Other Factors affecting Rating

None.

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23(Actual)
Total Assets	Rs. Cr.	665.26	508.64
Total Income*	Rs. Cr.	75.85	56.68
PAT	Rs. Cr.	21.06	17.06
Net Worth	Rs. Cr.	159.67	133.26
Return on Average Assets (RoAA)	(%)	3.59	3.69
Return on Average Net Worth (RoNW)	(%)	14.38	13.81
Debt/Equity	Times	3.08	2.68
Gross NPA	(%)	2.29	2.50
Net NPA	(%)	0.69	0.51

*Total income equals to Net Interest Income plus other income

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

None.

Any other information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Nov 2024	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE Not Applicable (Withdrawn)
28 Nov 2023	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
28 Nov 2022	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	275.00	Simple	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

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