



Press Release
SRINIDHI CREDIT PRIVATE LIMITED
March 13, 2024
Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------|
| Bank Loan Ratings | 10.00 | ACUITE BBB- Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 10.00 | - | - |

Rating Rationale

Acuite has assigned the long-term rating of '**Acuite BBB-**' (read as **Acuite triple B minus**) on the Rs. 10 Cr. bank loan facility of Srinidhi Credit Private Limited. (SCPL). The outlook is '**Stable**'.

Rationale for rating

The rating factors in the experience management, significant support from Srinidhi group where the Srinidhi Cat II Alternative Investment Fund (Srinidhi AIF) has assumed OCD worth Rs 83.50 Cr. outstanding as on Mar'23 and its comfortable capital structure. SCPL's capital structure is marked by net worth and gearing of Rs. 87.62 Cr. and 1.76 times as on Sept 30, 2023. The rating also reflects the sound asset quality and prudent risk management practices of SCPL. SCPL has demonstrated sound asset quality marked by on-time portfolio of 100 percent as on March 31, 2023 with NIL non-performing assets. These strengths are partially offset by the high concentration of top 3 borrowers in the overall loan portfolio constituting ~80 percent as on 30 Sept 2023. Further the rating remains constrained by lack of diversification in the funding profile.

Going forward, SCPL's ability to diversify their funding profile, minimising its concentration while maintaining its asset quality and profitability metrics will remain a key monitorable.

About the company

Srinidhi Credit Private Limited ("SCPL"), an NBFC under registered license from RBI was incorporated in the year 2016. It was incorporated by late Mr. SV Mony, along with Mr Venkat. SCPL is the lending arm of Srinidhi group which also operates Category II Alternative Investment Fund registered under SEBI. Srinidhi's investment takes a debt-style approach to the principal investment and participation in upside performance in enterprises to ensure long-term equity appreciation. Srinidhi Credit Private Limited, the NBFC arm of the Group - plays an active role in assuming exposure towards credit opportunities from identified Portfolio companies for the group, where Srinidhi AIF has already assumed convertibles and significant minority to supermajority equity in the capital structure. This helps in security perfection and high-yield interest income from the investments. It also has a non-core loan book where the strategy is to start a lending relationship which will test the serviceability and help the group in understanding the business before assuming the equity partnership to a high-quality business.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken standalone approach for SCPL.

Key Rating Drivers

Strength

Experienced Management

Srinidhi Credit Pvt Ltd (SCPL) is the lending arm of the Srinidhi Group extending loans towards small to medium size enterprises. SCPL is headed by Mr Venkat Ramaswamy who is the Co-founder and CIO of the Group and director of SCPL. Mr Venkat has previously worked as MD at Fortress Investment Group, NY and managed USD 500 Mn structured equity portfolio in emerging markets, he has also worked for 3 years as an originator in the Securitization team at HSBC Bank, NY. The promoters are supported by seasoned professionals in day-to-day activities. The management team has an extensive experience of over two decades in the financial industry.

Acuité believes that company's growth prospects will be supported by the promoter's experience in this industry.

Healthy AUM growth while maintaining asset quality.

The company's loan portfolio outstanding grew by 55 percent in FY23 to Rs. 224.31 Cr as on March 31, 2023 as compared to Rs. 144.49 Cr as on March 31, 2022. The outstanding loan portfolio further stood at Rs 254.69 Cr in H1FY2024. The company majorly disburses loans to MSMEs, with the average ticket size ranging between Rs 50 lacs to 15 Cr. The tenure of these loans range between 3 months to 6 years. SCPL has demonstrated sound asset quality marked by on-time portfolio of 100 percent as on March 31, 2023. The company has structured inherent checks for effective risk management that include lending policy, underwriting process, and dedicated due diligence team, which helps to maintain asset quality. SCPL reported NIL GNPA and NNPA as on March 31, 2023 (SFPL follows DPD count of 180 days + for classification of NPA). The company's overall collection efficiency averages to 96.26 percent for last 6 month ended March 23.

Acuité believes that SCPL's ability to sustain the growth in its loan book, while maintaining sound asset quality level in the near to the medium term will be key rating monitorable.

Adequate Capital Structure

With a net worth of Rs 83.81 Cr. as on Mar 31, 2023, the company is well positioned to support the growth of its businesses over the medium term. SCPL's capital position is adequate as reflected in the capital adequacy which stood at 101.97 percent as on March 31, 2023. Also, the outstanding long term debt stood at Rs. 147.97 Cr. as on Mar 31, 2023 comprising of convertible debentures translating to gearing ratio of 1.77 times. The company's net worth owing to the internal accruals stood at Rs 87.62 Cr and the long term debt outstanding stood at Rs 153.97 Cr resulting the gearing of 1.76 times as on Sep 30, 2023.

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

Weakness

Concentrated Loan book and limited track record.

SCPL's loan book is highly concentrated in terms of geography and customers. The portfolio is highly concentrated in the states of Tamil Nadu (~92%) and Rajasthan (~8%). SCPL's exposure to the top 3 borrowers in the overall loan portfolio constitute ~80 percent as on Sept 30, 2023. The largest borrower constitutes to ~42 percent in the overall loan portfolio however this exposure is partially offset by the security collateral taken which is 1.95 times. SCPL was incorporated in 2016 and disburses loans with tenure averaging to five to six years indicating that the company has limited track record.

Acuite believes the company's ability to diversify its loan portfolio while maintaining its asset quality will be key monitorable.

Lack of diversification in funding profile

The company's funding profile remains concentrated to Srinidhi AIF Fund II (56%) and Sustainable Investments (44%) who have assumed convertible debentures of Rs 147 Cr outstanding as on Mar'23. The company's dependence on wholesale funding is high with AIF accounting for more than 50%. The average cost of funds marginally increased to 10.96% in FY2023 vis-à-vis 8.36% in FY2021.

Acuite believes that the company's ability to raise adequate capital to fund growth, while maintaining comfortable gearing and achieve a more diversified funding mix, would be

important rating considerations going forward.

Rating Sensitivity

- Movement in Asset Quality and Collection Efficiency.
- Movement in Profitability Metrics
- Growth in Scale of Operations

Liquidity Position

Adequate

SCPL's overall liquidity profile remains well matched with no negative cumulative mis-matches in near to medium term as per ALM dated March 31, 2023. The company's liquidity position is supported by Cash and Bank Balance of Rs 12 Cr as on March 31, 2023.

Outlook: Stable

Acuité believes that SCPL will maintain 'Stable' outlook over the near to medium term owing to the experience of promoters. The outlook may be revised to 'Positive' in case SCPL demonstrates significant and sustainable growth in its scale of operations while mitigating asset quality risks in portfolio. Conversely, the outlook may be revised to 'Negative' in case of any challenges faced in scaling up operations, resource raising ability and in case the company faces higher than expected asset quality pressures or deterioration in profitability parameters

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

| Particulars | Unit | FY23 (Actual) | FY22 (Actual) |
|---|------------|------------------|------------------|
| Total Assets | Rs. Cr. | 248.85 | 158.09 |
| Total Income* | Rs. Cr. | 11.49 | 10.53 |
| PAT | Rs. Cr. | 5.68 | 5.27 |
| Net Worth | Rs. Cr. | 83.81 | 60.10 |
| Return on Average Assets (RoAA) | (%) | 2.79 | 3.62 |
| Return on Average Net Worth (RoNW) | (%) | 7.90 | 14.81 |
| Total Debt/Tangible Net worth (Gearing) | Times | 1.77 | 1.56 |
| Gross NPA | (%) | - | - |
| Net NPA | (%) | - | - |

*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. Acuité'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- Not Applicable

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|---------------------------------|
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 10.00 | ACUITE BBB- Stable Assigned |

Contacts

| Analytical | Rating Desk |
|--|--|
| Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in |
| Akancha Singh Analyst-Rating Operations Tel: 022-49294065 akancha.singh@acuite.in | |

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.