



SMERA RATINGS LIMITED

SRS Finance Limited (SRSFL)**Rating
Rationale**

June 11, 2013 - Mumbai

Facilities	Amount (Rs. Crores)	Rating
Fund Based Facilities	25.00	SMERA BB/Stable

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA Double B**) to SRS Finance Limited's (SRSFL) long term fund based facility. The outlook is '**Stable**'. The rating benefits from SRSFL's healthy capitalization and experienced management; but is constrained by the company's low profitability. The rating is further constrained by the company's plan to increase focus on unsecured consumers loans and personal loans, which are inherently risky in nature.

SRSFL has comfortable capitalization metrics with negligible gearing, which is expected to remain low. SRSFL is a part of the SRS Group, which has interests in various businesses including cinema, real estate and retail. SRSFL benefits from the synergistic association with its group entities and the strong experience of the management.

SRSFL's rating is however constrained by the company's low profitability. The rating is also constrained by the company's plan to increase lending in the unsecured consumer loans and personal loans segment, which are inherently high risk in nature. SRSFL also finances SME loans, which are mostly secured.

SRSFL has an investment division that trades and invests in securities (listed and unlisted stocks). Although most of the investments are long-term, the division also undertakes short-term trading. SRSFL has trimmed its investments in unquoted equity shares of non-group entities with an aim to expand its asset finance book. The company's investment in unquoted equity shares stands at Rs.28.40 crore as on March 31, 2013 as compared with Rs.78.00 crore a year earlier.

Outlook: Stable

SRSFL has a stable outlook. SMERA believes that SRSFL's ability to tap a known customer base is likely to boost the company's asset book size. The outlook may be revised to 'Positive' if the company is successful in growing its asset book while maintaining the asset quality and ensuring healthy returns. The outlook may be revised to 'Negative' if the company faces any pressure in expanding its loan book or in case of deteriorating asset quality or profitability.

About the company

SRSFL was incorporated on February 01, 1994. It is a Non Banking Financial Company (NBFC) registered with the Reserve Bank of India. SRSFL is a part of the SRS Group, which has interests in various businesses including cinemas, retail (cash and carry as well as whole sale) and jewellery (retail and wholesale). SRSFL's promoters hold majority stake (69.16 per cent) in the company. For the financial year ended March 31, 2012. SRSFL reported profit after tax (PAT) of Rs.80.5 lakhs on a total income of Rs.26.6 crores (includes investment income of Rs 18.7 crores). The unadjusted net worth as on March 31, 2012 stood at Rs.116.9 crores.

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