June 06, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	**25.00**	**SMERA BB+/Stable (upgraded from SMERA BB/Stable)**
Cash Credit	**50.00**	**SMERA BB+/Stable (Assigned)**

SMERA has upgraded the rating of SRS Finance Limited (SRSFL) to '**SMERA BB+' (read as SMERA double B plus)** from 'SMERA BB'. The outlook is '**Stable'**. The rating upgrade reflects improvement in the company's business. The rating continues to benefit from the company's healthy capitalization, strong asset quality and experienced management. However, the rating is constrained by the company's limited geographical reach. The rating is also constrained by the company's high dependence on a few sources of borrowings. The rating factors in risks related to the presence of stock trading and investment portfolio on the company's balance sheet.

SRSFL's rating upgrade reflects improvement in the company's business profile. SRSFL's advances book has grown from Rs.52.15 crore as on March 31, 2012 to Rs.141.20 crore as on March 31, 2014. Further, the company has taken measures to strengthen its processes in various critical areas, including underwriting and monitoring. SMERA believes the aforementioned measures will help SRSFL achieve healthy and sustained growth in business.

SRSFL's healthy capitalization is reflected in total net worth (TNW) of Rs.113.62 crore as on March 31, 2014. Moreover, the company's strong asset quality provides comfortable buffer to absorb asset quality shocks. SRSFL has not reported any gross non-performing asset (GNPA) during the past four years.

SRSFL's rating factors in benefits derived from 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 operations remain restricted to the National Capital Region (NCR). The company' is also exposed to liquidity risk arising from high dependence on cash credit facilities for borrowings. SRSFL continues holding significant investments in stocks. Although the company is gradually liquidating its stock investments, the ability to successfully liquidate such investments in a profitable manner will remain a key rating sensitivity factor.

Outlook: Stable

SRSFL has a stable outlook. SMERA believes SRSFL's asset book is poised to grow at a healthy rate on the back of the company's ability to tap a familiar customer base. The outlook may be revised to 'Positive' in case the company achieves sustained growth in asset book while maintaining strong asset quality and achieving healthy returns. The outlook may be revised to 'Negative' in case of subdued growth of the company's loan book, or in case of deterioration in the company's asset quality or profitability.

Rating sensitivity factors

- Changes in stock trading portfolio
- Maintenance of strong asset quality
- Changes in nature of borrowings

About the company

SRSFL, incorporated on February 01, 1994, 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 and jewellery (retail and wholesale).

SRSFL's promoters hold majority stake (69.2 per cent) in the company. For FY2013–14, SRSFL reported profit after tax (PAT) of Rs.5.07 crore on total income of Rs.39.16 crore (includes investment income). The company's tangible net worth stood at Rs.113.62 crore as on March 31, 2014.

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