

March 03, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	25.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Cash Credit	50.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)

SMERA has upgraded the rating of SRS Finance Limited (SRSFL) to '**SMERA BBB-**' (read as **SMERA triple B minus**) from 'SMERA BB+'. The outlook is '**Stable**'. The upgrade reflects steady growth in advances made by the company. The rating notes that the company has maintained healthy asset quality. The rating continues to benefit from the company's healthy capitalization and experienced management. However, the rating remains constrained by the company's limited geographical reach. The rating is also constrained by the company's high dependence on 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, 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. The company's advances have grown at a healthy compound annual growth rate (CAGR) of 62 per cent during March 31, 2012 to March 31, 2014. SRSFL registered 10.40 per cent growth (y-o-y) in advances during the nine months ended December 2014. The company reported nil gross non-performing assets (GNPAs) during FY2009-10 to FY2013-14. As on December 31, 2014, SRSFL reported GNPAs of 0.32 per cent; however most of the GNPAs have been recovered during January-February 2015. SRSFL continues to implement measures for strengthening its processes in various critical areas such as underwriting and monitoring. SMERA believes such measures will help SRSFL to maintain healthy growth while achieving a well-diversified advances book.

SRSFL has healthy capitalization level which enables absorption of asset quality shocks. The company's total net worth (TNW) stood at Rs.119.23 crore as on December 31, 2014. SRSFL's rating factors in the benefits derived from the SRS Group, which has interests in various businesses such as cinema, real estate, jewellery, food courts and retail. SRSFL benefits from the synergistic association with its group entities. The company also benefits from its experienced management.

SRSFL's mainly operates in National Capital Region (NCR). However, the company is in the phase of expanding its geographic reach. SRSFL's ability to maintain asset quality while diversifying geographic reach is a key rating sensitivity. The company is also exposed to liquidity risk arising from high dependence on cash credit facilities for borrowings. SRSFL continues to hold significant investments in stocks.

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**Outlook: Stable**

SMERA believes SRSFL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers healthy returns while achieving geographic diversification and maintaining strong asset quality. The outlook may be revised to 'Negative' in case the company registers subdued growth in advances, 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 such as cinemas, real estate, food courts, retail and jewellery (retail, wholesale and export).

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 (including investment income). The company's tangible net worth stood at Rs.113.62 crore as on March 31, 2014.

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