

Rating Rationale

SRG Housing Finance Limited

August, 2017

Brickwork Ratings withdraws the existing rating of the NCD of Rs. 25.00 Cr of SRG Housing Finance Limited (“SHFL” or “the Company”) and assigns rating for the proposed secured NCD up to Rs. 25 Crores, reaffirms the existing ratings for the bank loan facilities of Rs. 130 Cr.

BWR has withdrawn the **Ratings¹** of the existing NCD issue and reaffirmed the outstanding bank loan facilities, as detailed below:

Facility	Previous Amount (Rs. Cr)	Present Amount (Rs. Cr)	Previous Ratings (August 2016)	Present Ratings
Existing NCD*	25.00	-	BWR BBB- (Outlook: Stable)	BWR Withdrawal
Bank Loan (Fund Based)	100.00	130.00	BWR BBB- (Outlook: Stable)	BWR BBB- (Outlook: Stable) Reaffirmation

Brickwork Ratings (BWR) has also assigned the rating for the proposed NCD facility of SRG Housing Finance Limited (‘SHFL’ or ‘the Company’) as detailed below:

Issue	Limit (Rs. In Cr)	Tenure	Rating ¹
Proposed secured NCD	25.00	Long Term	BWR BBB- Outlook: Stable

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**The proposed NCD has been withdrawn due to non-issuance of the same and subsequently the NOC has been provided by the issuer/company.*

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY16-17, reported financial results of Q1FY17-18 and projected financials till FY18-19, publicly available information, and information/clarifications provided by the Company’s management.



The rating has factored, *inter alia*, the experienced Promoter & Management, growing business profile, moderate asset quality, and comfortable capitalization and risk management practices. The rating is, however, constrained by the moderate size of operations, low seasoning and geographically concentration of the loan portfolio and competition from banks and HFCs, in general.

Rating Outlook: Stable

BWR believes SHFL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Going forward, any major decline in profitability, NIM or deterioration in asset quality with impact on capitalization and competition in housing finance industry would be the key rating sensitivities.

Analytical Approach:

Risk profile of SHFL is evaluated on a stand-alone basis.

About the Company

SRG Housing Finance Limited (SHFL) is a BSE Listed Housing finance company headquartered in Udaipur, Rajasthan.

It is engaged in providing Housing loans & Mortgage loans. SHFL commenced operations from 2002 after getting registered with National Housing Bank. The Company has started its corporate office in Mumbai in May 2016 with a view to increase its focus on operations in Maharashtra as well as for expanding resource base of the company.

The Company is promoted by Mr. Vinod Kumar Jain, who has close to two decades of experience in credit & finance, with total Promoter & Promoter Group holding of 54% as of June 2017.

Proposed secured NCD issue's Structure

Important terms of the proposed secured NCD issue as per the draft term sheet shared by the Company are as follows:

1. Issue size: Rs. 25 Cr.
2. It is a redeemable non-convertible debenture.
3. It will be issued in two tranches: Tranche – I: Rs. 10.00 Cr & Tranche – II: Rs. 15.00 Cr with a tenor of 60 months.

Company's Financial Performance

During FY17, the company's outstanding loan portfolio as of March 31, 2017 was Rs. 81.83 Crores compared to Rs. 53.29 Crores as of March 31, 2016, registering a Y-o-Y growth of 54%. Further, it has improved to Rs. 100 Cr till Q1FY17-18. Composition of Home loans segment increased to 91% (80% in FY16) of SHFL's loan portfolio followed by Loan against Property with ~9% share (19.80% in FY16) in FY17. As of March 31, 2017, the Gross NPA of the Company had deteriorated to 1.57% (1.01 % as of March 31, 2016) with a Provision Coverage Ratio (PCR) at 23.20%. The deterioration was on account of

demonetization effect taken place during Q2 & Q3 of FY16-17. However, GNPA has further improved marginally to 1.32% with an increased PCR of 53.03%.

For FY17, Total Interest Income for the Company stood at Rs. 14.53 Crores compared to Rs. 10.21 Crores in FY16, a growth of ~40%, while Net Interest Income increased from Rs. 6.17 Crores in FY16 to Rs. 8.88 Crores in FY17. However, Net Interest Margin remained flat at 13.15% in FY17. PAT stood at Rs. 2.71 Cr in FY17 compared to Rs. 1.87 Cr in FY16.

SHFL's Tangible Net Worth increased from Rs. 16.41 Crores in FY16 to Rs. 33.97 Crores in FY17, majorly on account of infusion of capital apart from retention of profits. As a result, SHFL's capital adequacy in the form of CRAR improved to 72.72% as of March 31, 2017 compared to 49.91% as of March 31, 2016. For short to medium term, the company has a comfortable liquidity position.

Key Financial Figures:

Financial Ratios	FY16 (A)	FY17 (A)
Asset Under Management (Rs. Cr)	53.29	81.83
Gross NPA %	1.01%	1.57%
Net NPA %	0.70%	1.21%
Net Interest Income (Rs. Cr)	6.17	8.88
PAT (Rs. Cr)	1.87	2.71
Net Interest Margin (NIM)	13.42%	13.15%
Tangible Net Worth (Rs. Cr)	16.41	33.97
CRAR	49.91%	72.72%

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)		Rating History		
				2016	2015	2014
1	Proposed Secured NCD	25	BWR BBB- Outlook: Stable	NA	NA	NA
2	Bank loan	130	BWR BBB- Outlook: Stable	BWR BBB- Outlook: Stable	NA	NA
3	Proposed Secured NCD	25	BWR Withdrawal	BWR BBB- Outlook: Stable	NA	NA

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Banks & Financial Institutions](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it

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