



Press Release

Salem Erode Investments Limited

March 21, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures (NCDs)	100.00	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned	Highly Complex
Total	100.00 (Rs One Hundred Crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of Ratings to the proposed NCDs of Salem Erode Investments Limited (SEIL) takes into consideration experienced promoters, operational and financial synergies derived from its parent company and adequate capitalisation. However, the ratings are constrained by nascent stages of operations, unseasoned portfolio and lack of diversity in the resource profile.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations, while maintaining healthy asset quality, capital position, liquidity, and profitability.

Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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Experienced promoters and management team

SEIL is a subsidiary of ICL Fincorp Ltd (ICLFL), a Kerala based NBFC primarily into providing gold loans since 2004 and has established track record with 200 branches spread across India – Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Telangana & Orissa and an AUM of Rs 302 Crores as on 31 Dec 2021. ICLFL holds 75% stake in SEIL. The management of both SEIL and ICLFL is headed by the company's Chairman and Managing Director Mr. K G Anil Kumar, who has more than two decades of experience in the financial services industry. The company's board of directors consists of experienced professionals from different fields such as banking, finance, accounting, law, business administration, media and communications. Being a subsidiary of ICLFL, SEIL derives operational and financial synergies with its parent company.

Adequate capitalisation

SEIL has an adequate capitalisation profile, with the capital to risk weighted assets ratio (CRAR) at 24.45% as of 9MFY22, compared with the minimum regulatory requirement of 15%. The company's net worth was at Rs 26.14 Crores as of 9MFY22 and has no borrowings. The company's ability to achieve timely equity infusion and improve the capitalisation profile will be a monitorable.

Key Rating Weaknesses

Nascent stages of operations with unseasoned portfolio

SEIL was acquired by ICLFL in February 2020 and has an AUM of Rs 21 Crores. The company's scale of operations are low given the nascent stages of operations and given that the portfolio is unseasoned, the company has nil NPAs

Lack of diversity in resource profile



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SEIL like its parent company is highly dependent on funding from subordinate debt and retail NCDs and has raised funds through these routes on a private placement basis. Company's ability to improve and diversify its resource profile, raise bank loans in a timely manner, and thereby, improve its liquidity profile will be a key monitorable.

Analytical Approach: Standalone

IVR has considered the standalone approach while assessing the financial and business risk profile of Salem Erode Investments Limited.

Applicable Criteria:

Rating Methodology for: [Financial Institutions/NBFCs | Infomerics Ratings](#)

Parent/group support criteria: <https://www.infomerics.com/rating-criteria-detail/parent--group-support>

For arriving at the rating, INFOMERICS has considered the parent/ group support approach based on the financial support from its parent company ICL Fincorp Limited rated at IVR BB+/stable and factoring the strategic importance of SEIL to ICL Fincorp, operational and financial synergies and strong moral obligations extended to SEIL.

Liquidity – Adequate

The company is adequately capitalized with a CAR (%) of 24.45% as on December 31st, 2021 and Networth of Rs 26.14 Crores. Also, it has adequately matched asset liability profile as on December 31, 2021 with majority of the portfolio currently funded with equity from promoters & shareholders of company.

As on 31 Dec 2021, the company has liquidity of Rs 5.92 Crore with nil borrowings. The ALM profile also has no negative mismatched across various buckets upto 5



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years. With improving collection efficiency and lender base, the company will be able to maintain adequate liquidity.

About the Company

Salem Erode Investments Ltd (SEIL) was incorporated under the Companies Act, 1913 on May 16, 1931, as Salem-Erode Electricity Distribution Co. Limited. The name of the Company was changed to Salem Erode Tea & Investment Co. Limited and a fresh certificate of incorporation consequent upon the change of name dated November 28, 1975 was issued by the Registrar of Companies, West Bengal. The name of the Company was further changed to Salem Erode Investments Limited and a fresh Certificate of Incorporation consequent upon change of name was issued on July 24, 1992. The Equity shares of the Company are listed in the Bombay Stock Exchange. Our Company is a NBFC Company and also registered with RBI.

On 17th February 2020, SEIL was acquired by **ICL Fincorp Limited**, a leading Non-Banking Financial Company providing Gold Loan, Business Loan, Hire Purchase Loan etc. After acquisition the Company gradually started expanding its business. The Company now has 12 (twelve) branches across Southern parts of the Country. ICL Fincorp Ltd holds 75% stake in SEIL

Financials (Standalone):

(Rs. Crore)

For the year ended/As on*	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Income	1.01	2.60
PAT	(0.12)	1.40
Tangible Networth	23.91	25.20
Total loan assets	20.86	21.80
Total debt	Nil	Nil



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Gearing (Times)	Nil	Nil
Total CRAR (%)	14.35	18.78
Gross NPA (%)	0.28	Nil

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	NCDs	Long Term	100.00	IVR BB/Stable (IVR Double B with Stable Outlook)	-	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed NCDs	-	-	-	100.00	IVR BB/Stable (IVR Double B with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument	Detailed Explanation
Security name	Retail NCDs (Private placement) to be issued in 4 series with different tenor/coupon rates
Objects of the Issue / Details of the utilization of the proceeds	The proceeds of the issue will be utilised for Capital expenditure/working capital
Coupon Rate	11.50 – 13.66%
Tenor	13 – 65 months
	Non - Financial Covenant
	Call option
	Financial Covenant
	Nil
	Not Available

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.