



## Press Release

### Subhlakshmi Finance Private Limited (SFPL)

December 09, 2021

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Term Loan	41.77 (Increased from INR 31.10 Crore)	IVR BBB-; Under credit watch with negative implications (IVR Triple B Minus Under credit watch with negative implications)	Reaffirmed & placed under credit watch with Negative Implications
2.	Proposed Long Term Fund Based Facility – Term Loan	58.23 (Reduced from INR 68.90 Crore)	IVR BBB-; Under credit watch with negative implications (IVR Triple B Minus Under credit watch with negative implications)	Reaffirmed & placed under credit watch with Negative Implications
	<b>Total</b>	<b>100.00</b>		

#### Details of Facilities are in Annexure I

#### Detailed Rationale

The reaffirmation of ratings of Subhlakshmi Finance Private Limited (SFPL) continues to derive comfort from its experienced management, comfortable operational indicators backed with regular equity infusion. However, the rating strengths are partially offset by inherent risk involved in unsecured lending to SME/MSMEs, moderate debt protection metrics and competitive nature of industry.

The rating on watch with negative implication reflects industry headwinds arising out of ongoing COVID-19 pandemic and its impact on the operational and financial parameters of the company which resulted in increased delinquencies. Infomerics will continue to monitor the developments in this regard.

#### Key Rating Sensitivities

#### Upward Factors



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Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality along with adequate capital position and profitability.

### **Downward Factors**

Adverse movement in the collection efficiency impacting the asset quality significantly thereby increasing the credit cost for the Company.

### **Key Rating Drivers with detailed description**

#### ***Key Rating Strengths***

- ***Experienced management:***

SFPL commenced its fresh lending operations only from November 2016, after taking over the business from its previous management. Its executive directors, Mr. Bipin Bihari Sharma (CFO) along with Mr. Durgesh Kumar Mishra (CEO) have extensive experience in the financial services industry which supports the business profile of the Company. Also, on its board are other experienced professionals who maintain strong oversight on the business, which has helped the Company in placing prudent lending practices with stringent credit assessment and monitoring.

- ***Comfortable operational indicators backed by regular equity infusion:***

SFPL primarily focuses on lending to SMEs & MSMEs under the JLG scheme, primarily in the northern part of India. It also lends Business Loans to individuals for income generation activities. Over the years, the Company has successfully expanded its operations in 8 states covering 37 districts comprising of 50 branches and ~60,000 odd borrowers as on March 31, 2021. The Company's total Asset Under Management (AUM) stood at INR144.75 Crore in FY21 as against INR157.86 Crore in FY20 on account of muted growth in own portfolio (Own book AUM of FY21:109.41 Crore and FY20: 108.67 Crore) with the prudent practice adopted by the company in making the disbursements. SFPL takes off-book exposure through its associates with MAS Financial Services Private Limited wherein the managed portfolio (along with securitization) in FY21 was of INR35.34 Crore (FY20:49.20 Crore). It reported Gross Non-Performing Assets (GNPA) of 0.77% (NNPA of 0.69%) as on March 31<sup>st</sup>, 2021. SFPL has comfortable Net-Interest Margins (NIMs) of 12.21% in FY21. Further, the company has infused additional capital resulting to equity of INR16.08 Crore in FY21 as compared with INR14.70 Crore in FY20, with increase in capital & retention of profit the overall tangible net worth has



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also increased to INR27.01 Crore in FY21 (FY20:23.33 Crore). The promoter has also infused additional capital amounting to INR3.00 Crore as on October, 2021 and has road map to infuse further by FY22

The moderate delinquency levels have enabled the Company to maintain comfortable profitability metrics. Although the overall profitability in FY21 has declined as compared to previous year on account of write off made by the company in FY21 amounting to INR6.37 Crore.

### ***Key Rating Weaknesses***

- ***Risk inherent in unsecured lending to SMEs/MSMEs:***

The Company lends small ticket unsecured loans through their products MEL & SEL with its average tenure upto two years. Loans are given to low income group self-employed personal or working in informal sector and such type of lending accounts for more than 90% of the total loan book. Further, since SME/MSME loans are extended to self-employed individuals for business purposes, the serviceability of these loans is directly dependent on the level of economic activity in the region. While the activities of most of these small MSME units might have been impacted because of the global pandemic hit along with their restrictions on the movement of men and materials. The occurrence of events such as the slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting the credit profile of SFPL.

Though it is to be known, the Company has maintained its asset quality as seen in its historical years of operations and its collection efficiency (on-time DPD) stood at an average of ~87% as on September 30<sup>th</sup>, 2021 which highlights the collection efficiency capabilities of the Company.

- ***Moderate Debt protection metrics:***

While the Company has been in the process of improving its exposure meanwhile increasing its overall lending portfolio backed by support of regular capital infusion & borrowings. The overall gearing stood at 4.23x as on March 31<sup>st</sup>, 2021. Going forward, the ability to access timely capital or mobilizing low-cost debt, will be a key rating factor in the scalability of the business.



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- **Competitive nature of industry:**

SFPL is exposed to stiff competition from other varied sized NBFCs. The lending industry focused around SMEs and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, DFL's professional management and focused approach towards SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

### **Analytical Approach:** Standalone

#### **Applicable Criteria**

- Rating Methodology for Financial Institutions/NBFCs
- Financial Ratios & Interpretation (Financial Sector)

#### **Liquidity – Adequate**

Liquidity is marked adequate by the balanced ALM profile for the short to medium term with sufficient cushion of inflows as against its repayment obligations largely because of its short term lending type of loans as against term debt availed. Apart from it, the company maintains cash and cash equivalents of about INR14.76 Crore as on March 31<sup>st</sup>, 2021.

#### **About the Company-**

Subhlakshmi Finance Pvt Ltd (SFPL) was originally incorporated on January 19, 1996 at Jalandhar as 'Pepsu Capital Services Pvt Ltd' and was later acquired by the current 4 promoters, Mr. Sanjeev Kumar Yadav & Mr. Bipin Bihari Sharma in October 2016. SFPL caters mainly to MSMEs/SMEs in Rural and Semi-Urban areas. It lends small ticket unsecured loans through their products MEL and SEL for upto 3 years of tenure. These loans are given to low income group self-employed personal or working in informal sector.

#### **Financials: Standalone**

(Rs. crore)

For the year ended/ As On*	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	34.67	37.06
Interest	14.48	14.85



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PAT	3.32	1.08
Total Debt	98.05	114.28
Tangible Net worth	23.33	27.01
Total Loan Assets (Own Portfolio)	108.67	109.41
PAT Margin %	9.15	2.24
Overall Gearing Ratio (x)	4.20	4.23
Gross NPA (%)	0.27%	0.77%
Net NPA (%)	0.25%	0.69%
CAR (%)	23.43%	24.56%

\* 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:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (October 22, 2020)	Date(s) & Rating(s) assigned in 2019-20 (September 05, 2019)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Bank Facility – Term Loan	Long Term	41.77	IVR BBB-; Under credit watch with negative implications	IVR BBB-/Stable	IVR BBB-/Stable	--
2.	Proposed Long Term Fund Based Facility – Term Loan	Long Term	58.23	IVR BBB-; Under credit watch with negative implications	IVR BBB-/Stable	IVR BBB-/Stable	--

**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](http://www.infomerics.com).

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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. 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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	Up to September, 2025	41.77	IVR BBB-; Under credit watch with Negative implications
Proposed Long Term Fund Based Facility – Term Loan	-	-	-	58.23	IVR BBB-; Under credit watch with Negative implications

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Subhlakshmi-Finance-lenders-dec21.pdf>





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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1	Term Loan	Simple