

**Press Release**

**Subhlakshmi Finance Private Limited (SFPL)**

**September 05, 2019**

**Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Rating Assigned</b>
1	Long Term Fund Based Limits – Term Loan	100.00*	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
	<b>Total</b>	<b>100.00*</b>	

*\* Out of the above, proposed Term Loan Facilities amount to Rs.68.85 crore*

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The rating derives strength from experienced promoters and management, healthy loan portfolio and profitable operations. The rating however is partially offset by its modest scale of operations, debt metrics and risks inherent to SMEs/MSMEs segment. Significant change in profitability margins and significant change in asset quality are the key rating sensitivities.

**List of key rating drivers with detailed description**

**Key Rating Strengths**

**Experienced promoters and management:**

Current management of SFPL took over the operations from the previous promoters in October 2016. Mr. Sanjeev Kumar Yadav and Mr. Bipin Bihari Sharma are the CEO/CFO respectively and also Executive Directors of the company. Mr. Sanjeev carries more than 19 years of experience in the Micro Finance and MSME lending industry. Likewise, Mr. Bipin is a qualified company secretary and has got over 15 years of experience. Prior to setting up SFPL, Mr. Sharma has led the corporate affairs and finance functions for several NBFCs. The other board members comprise of various experienced people from the financial industry.

**Healthy loan portfolio:**

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. The stringent credit assessment and monitoring process in place have enabled the company to maintain healthy Asset Quality. The company reported Gross NPA of 0.58% as on

March 31, 2019. Maintaining asset quality while growing its portfolio going forward, would be a key rating sensitivity.

## **Profitable operations:**

The Net Interest Margin (NIM) moderately improved at 12.65% in FY2019 as against 11.60% in FY2018. The company reported overall capital adequacy of 31.41% and Tier 1 CAR of 24.56% as on March 31, 2019. The capitalization remains comfortable, with strong growth in loan book supported by healthy internal accruals. For a company like SFPL, being in initial stage of operations, ROTA is reasonable at 2.32 % (FY18) & 2.80 % (FY19).

## **Key Rating Weakness**

### **Modest scale of operations and nascent stage of business:**

SFPL is exposed to risks related to nascent stages of operations and geographical concentration in its revenue profile. The scale of operations is small as reflected in total operating income of Rs. 22.56 crore for fiscal 2019.

### **Moderate debt metrics:**

While SFPL has scaled up its loan portfolio steadily, a spike in the cost of borrowings has been observed. Overall gearing stood at 3.67 times as on March 2019 as compared to 5.45 times on March 2018. The company borrows mainly through term loans. The ability of the company to expand in a profitable manner will be determined by its ability to mobilise low cost funds.

### **Risk inherent to SMEs/MSMEs segment:**

These type of financing is based on cashflow assessment of the borrowers. Any stress on the cashflows of the borrowers due to borrower or industry specific issues will adversely impact the repayment ability of the borrowers. Nevertheless, the company has adequate risk management systems to manage the inherent risks in the business.

## **Analytical Approach & Applicable Criteria**

Standalone

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Non-Financial Sector)

## Liquidity

Adequate liquidity is marked by adequate inflows with sufficient cushion for repayment of debt obligations apart from the cash and cash equivalents to the tune of Rs.11.80 crore as on March 31, 2019. With a gearing of 3.67 times as of March 31, 2019, the issuer has sufficient gearing headroom, to raise additional debt for its business growth. The company has a balanced ALM profile. There are no negative mismatches in any of the time buckets.

## 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 promoters, Mr. Sanjeev Kumar Yadav & Mr. Bipin Bihari Sharma in October 2016. SFPL caters mainly to Micro, Small & Medium Enterprises in Rural and Semi-Urban areas. It operates through a network of 40 branches in 7 states/UTs and workforce of around 295 employees.

## **Financials**

**(Rs. crore)**

<b>For the year ended* / As On</b>	<b>31-03-2018 (Audited)</b>	<b>31-03-2019 (Audited)</b>
Total Operating Income	11.21	22.56
Interest	5.84	10.98
PAT	0.93	2.26
Total Debt	57.16	73.50
Tangible Net worth	10.48	20.01
Ratios (%)		
a. PAT Margin	8.29	10.02
b. Overall Gearing Ratio	5.45	3.67
c. Total CAR (%)	28.83	31.41
d. Gross NPA (%)	0.00	0.58
e. Net NPA (%)	0.00	0.53

\* Classification of financial numbers is 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 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Term Loan	Long Term	100.00*	IVR BBB/- Stable outlook	--	--	--

\* Out of the above, proposed Term Loan Facilities amount to Rs.68.85 crore

**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 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Long Term Fund Based Limits – Term Loan	--	--		100.00*	IVR BBB-/ Stable outlook

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