

RATING RATIONALE

09 Aug 2022

SRG Housing Finance Limited

Brickwork Ratings reaffirms the rating for the Non Convertible Debentures of Rs 97.56 Crs, and reaffirms and withdraws the ratings for the Bank Loan Facilities of Rs.255 Crs of SRG Housing Finance Limited.

Particulars

Facility/ Instrument**	Amount Rated (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (28 June 2021)	Present
Non-Convertible Debentures	10.00	10.00	Long Term	BWR BBB/ Stable (Reaffirmed)	BWR BBB/ Stable (Reaffirmed)
Non-Convertible Debentures	6.47	0.86			
Non-Convertible Debentures	96.50	86.70			
Fund based bank loans	130.11	139.69	Long Term	BWR BBB/ Stable (Reaffirmed)	BWR BBB/Stable (Reaffirmed and Withdrawn at the request of Company)
Fund based bank loans - proposed	124.89	115.31	Long Term	BWR BBB/ Stable (Reaffirmed)	Withdrawn (on non utilization)
Total	367.97	352.56	Rupees Three Hundred Fifty Two Crores and Fifty Six Lakhs Only		

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

** Details of bank facilities and NCDs are provided in Annexure I & II.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the rating of non-convertible debentures amounting to Rs. 97.56 Crs of SRG Housing Finance Limited (SRG or 'Company') as tabulated above. The ratings reaffirmation factors in the improved financial performance of the Company for the year ended 31 March 2022 & unaudited financial as on 30 June 2022, experienced promoters and management team, comfortable capitalisation and adequate liquidity profile. However, the ratings are constrained by moderate scale of operations, moderate asset quality of the portfolio and the concentration of AUM in the state of Rajasthan, Gujarat & Madhya Pradesh.

The Stable outlook indicates a low likelihood of a rating change over the medium term. BWR believes that SRG will continue to maintain its credit risk profile over the medium term.



Brickwork Ratings (BWR) reaffirms and simultaneously withdraws the rating of Bank Loan facilities amounting to Rs.255 Crs of the company, at the request of the company, no objection for the withdrawal of rating conveyed by the lenders covering major part of the outstanding exposure of bank loan facilities, and the confirmation from the Company that the proposed portion of the rated bank loan facilities were not raised till date.

The rating withdrawal is in line with BWR's policy on Withdrawal of Ratings.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

Nil

KEY RATING DRIVERS

Credit Strengths-:

Comfortable capitalization:

The company is comfortably capitalized with tangible net worth of Rs. 113.69 Crs as on 31 March 2022 (PY Rs 93.60 Crs) and improvement in gearing from 3.05x (as on 31 March 2021) to 2.52x as on 31 March 2022. Total total capital-to-risk weighted assets ratio CRAR stood at a comfortable level of 38.30% as on 31 Mar 2022 and further improved to 39.65% as on 30 June 2022, which is well above the regulatory requirement. The ability of the company to raise capital, to maintain its capital adequacy, gearing levels and to achieve the projected AUM will be monitorable.

Healthy profitability:

In FY22, PAT improved by 8% to Rs 20.32 Crs (PY Rs 18.84 Crs) with improvement in NIM. The Company reported PAT of Rs 4.91 Crs for Q1FY23.

The Company disburses loans to low- middle income under banked segments with average ticket size of Rs.6 lakh with average lending rate of above 20%. With the improvement in borrowing cost in FY 22, NIM improved to 12.43% (PY 11.70%). The credit cost stood lower, at 0.09% in FY22 (FY21: 0.46%) with return on average equity at 19.60% and Return on assets at 5.01% as on 31 March 2022.

Moderate asset quality with adequate Provision

GNPA ratio was 2.47% as on 31 March 2022 (2.34% as on 31 March 2021) and improved to 2.45% as on 30 June 2022, Net NPA was at similar levels of 0.41%. As on 31 March 2022. Out of the total GNPA of Rs 8.40 Crs, 65% was from the Housing loan segment and 35% from LAP. However, the GNPA (%) in the Housing loan segment is slightly low at 2.43% as against LAP GNPA of 2.46%. With the Company's focus on improving the LAP portfolio, Company's ability to control the NPA in LAP shall remain key. The company had not restructured any accounts In FY 22 & FY 21.

Company had made adequate provision Provision Coverage ratio (Stage 3) was at 83.21 % (FY 22) as against 82.27% (FY 21). PCR for non housing had improved from 65% as on 31 March 2021 to 77% as on 31 March 2022. As on 31 March 2022, 82% of the portfolio had no overdues. Total Portfolio under softer buckets i.e. 61-90 days had increased from Rs 10 Crs (FY 21) to Rs 12 Crs (FY 22).

87% of the total NPA was from the self employed category and remaining 14% from salaried class. Given that 78% of the portfolio as on 31 March 2022 was from non salaried class, the rating team considers the Company's ability to control overall GNPA is key rating sensitivity.



Credit Risks:-

Improved albeit Moderate scale of operations:

The company has a retail and granular Housing loan portfolio with average ticket size of around Rs 2.00-5.00 lakhs as on 31 March 2022 with average tenor of 5-6 years and average ticket size of LAP at Rs 13 Lakhs. As on June 30, 2022, SRG is operating through its presence in 4 states through 49 branches [Rajasthan (22), MP (18), Gujarat (9)] increased from 37 branches as on 31 March 2022. In FY 22, the total AUM had increased by 4.61% and was at Rs 340 Crs (PY Rs 325 Crs) with an increase in the LAP portfolio from Rs 105 Crs as on 31 March 2021 to Rs 119 Crs as on 31 March 2022. However, disbursements marginally lower in FY22 to Rs 85 Crs as against Rs 90 Crs in FY21. The Company had disbursed Rs 270 Crs in 2 years i.e. FY18 & FY19, considering the average tenor of the loan at 6 years, the asset quality is untested which leads to moderate seasoning of the portfolio. During Q1FY23, Company had disbursed Rs 26 Crs (Rs 18 Crs HL and Rs 8 Crs LAP) as against Rs 7 Crs for Q1FY22 with increase in AUM to Rs 349 Crs as on 30 June 2022. The AUM mix as of 30 Jun 2022 is maintained at similar levels as of 31 March 2022 with HL- 66% & LAP-34%. Proportion of salaried borrowers had increased from 19% as on 31 March 2021 to 22% as on 31 March 2022. Going forward, the Company ability to increase the AUM with control on the asset quality shall be key monitorable.

Geographic concentration risk

The company currently operates in four states, viz., Rajasthan, Madhya Pradesh, Gujarat and Maharashtra, out of which, the top three states account for 99% of the total portfolio. As on 31 March 2022, around 61% of the total portfolio was in a single state, Rajasthan, though reduced from 64% as on 31 March 2021, which exposes the company to geographic concentration risk.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered SRG Housing Finance Limited standalone performance. BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to steadily grow its loan portfolio, while maintaining asset quality and comfortable capitalization structure will be key rating sensitivity factors.

Positive: Significant growth in the AUM, adequate fund raise, improved profitability and stable asset quality, will be rating positives

Negative: A deterioration in the asset quality particularly in the LAP segment and in the loans to self-employed category of customers or deterioration in the capital structure are key rating negatives.

LIQUIDITY POSITION: ADEQUATE

As on 30 June 2022, the Company had adequate liquidity of Rs 81 Crs (including undrawn limit of Rs 58.50 Crs) against which has debt repayments of Rs 91.60 Crs for the period July 2022 to May 2023 and has scheduled collections of Rs 105 Crs between July 2022 to May 2023. The liquidity position is adequate to meet its debt obligations.

COMPANY PROFILE

SRG Housing Finance Limited (SRGHFL), a BSE listed company, is a Udaipur based housing finance Company with Corporate office at Mumbai and registered office at Udaipur. It is engaged in the financing of housing loans and mortgage loans. SRG commenced operations from 2002 after getting registered with the National Housing Bank. Initially, the company was incorporated as Vitalise Finlease Pvt. Ltd. Subsequently, the name of the company was changed to SRG Housing Finance Pvt. Ltd. in December 2000 and its constitution was changed to public limited in January 2004. The company has been promoted by Mr. Vinod K Jain who has an overall experience of more than 20 years in different businesses such as transport, finance, insurance, and construction and has been associated with SRG since inception. As on June 30, 2022, SRG is operating through its presence in 4 states through 49 branches [Rajasthan (22), MP (18), Gujarat (9)] increased from 37 branches as on 31 March 2022.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY21 IndAs	FY 22 IndAs
Result Type		Audited	Audited
Total Income	(Rs in Crs)	76.67	80.45
Net Profit	(Rs in Crs)	18.84	20.32
Net Worth	(Rs in Crs)	93.60	113.69
Gearing	(in times)	3.05x	2.52x
Total CRAR	(%)	38.06	38.30
Total AUM	(Rs in Crs)	325.40	340
Gross NPA	(%)	2.34	2.47
Net NPA	(%)	0.42	0.41

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal & suspended)

Sr. No.	Name of Facility/ Instrument	Current Rating (2022)			Rating History for the past 3 years							
		Type	Amount (Rs. Crs)	Rating	2021		2020			2019		
1	Bank Loan Facilities	Long Term	255.00	BWR BBB/ Stable Reaffirmed and withdrawn	28 June 2021 Rs 255 Crs BWR BBB/Stable (Reaffirmed)		30.07.2020			12.12.2019		
							Long Term	255	BWR BBB/ Stable	Long Term	255	BWR BBB/ Stable
							24.06.2020					
							Long Term	255	BWR BBB/ Stable			
2	NCDs	Long Term	0.86	BWR BBB/ Stable	28 June 2021 Rs 6.47 Crs BWR BBB/Stable (Reaffirmed)		30.07.2020			12.12.2019		
							Long Term	14.22	BWR BBB/ Stable	Long Term	14.22	BWR BBB/ Stable
							24.06.2020					
							Long Term	14.22	BWR BBB/ Stable			
3	NCDs	Long Term	Rs 86.70 Crs	BWR BBB/ Stable	28 June 2021 Rs 96.50Crs BWR BBB/Stable (Reaffirmed)		30.07.2020			NA		
							Long Term	100	BWR BBB/ Stable			
							24.06.2020					
							Long Term	100	BWR BBB/ Stable			

4	NCDs	Long Term	10.00	BWR BBB/ Stable Reaffirmed	28 June 2021 Rs 10 Crs BWR BBB/Stable (Reaffirmed)	30.07.2020 (Assigned)			NA		
						Long Term	10	BWR BBB/ Stable			
						NA					
Total			352.56			Rupees Three Hundred Fifty Two Crores and Fifty Six lakhs only					

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple/ Complex

Bank Loan: **Simple**

Non Convertible Debentures: **Complex**

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria:

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

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SRG Housing Finance Limited
ANNEXURE I -
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.) @
1	State Bank of India	Term Loan	27.81	--	27.81
	State Bank of India	Cash Credit	3.50	--	3.50
2	National Housing Bank	Term Loan	31.19	--	31.19
3	Union Bank of India	Term Loan	27.85	--	27.85
4	AU Small Finance Bank	Term Loan	7.95	--	7.95
5	DCB Bank	Term Loan	15.65	--	15.65
6	PNB	Term Loan	13.02	--	13.02
7	South Indian Bank	Term Loan	8.73	--	8.73
8	UCO Bank	Term Loan	3.99	--	3.99
	Total existing limits		139.69	--	139.69
	Proposed facilities		115.31	--	115.31
	Total limits rated		255.00	--	255.00

Rupees Two Hundred Fifty Five Crores Only

@Term loan outstanding as on 30 June 2022.

ANNEXURE II - INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount (Rs in Crs)	Coupon Rate (%)	Maturity Date	ISIN Particulars
NCDs	21-Aug-2017	0.86	10.90	21-Aug-2022	INE559N07017
NCDs	29-Jun-2020	10.00	11.35	29-Jun-2023	INE559N07025
NCDs	31-Jul-2020	25.00	11.00	31-Jul-2023	INE559N07033
NCDs	10-Dec-2020	11.70	10.45	31-Dec-2023	INE559N07041

@ Outstanding as on 30 June 2022

ANNEXURE III
List of entities consolidated : NA



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