



Press Release

Salem Erode Investments Limited (SEIL)

July 14, 2023

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures (NCDs)	0.59	IVR BB/ Stable (IVR Double B with Stable outlook)	Revised and removed from ISSUER NOT COOPERATING category	Simple
Proposed Non- Convertible Debentures (NCDs)	99.41	IVR BB/ Stable (IVR Double B with Stable outlook)	Revised and removed from ISSUER NOT COOPERATING category	Simple
Total		100.00 (Rs One Hundred Crores only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating was migrated to ISSUER NOT COOPERATING category as Salem Erode Investments Limited (SEIL) had not submitted all the required information for surveillance within the stipulated timelines. Subsequently, SEIL has cooperated and provided the information necessary to complete the rating review leading to removal of the rating from ISSUER NOT COOPERATING category.

The rating revision to the bank loan facilities and Non-Convertible Debentures of Salem Erode Investment Limited (SEIL) continues to derive comfort from 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 coupled with delay in reverse merger with its parent company, ICL Fincorp Limited rated at IVR BB+/Stable.

Key Rating Sensitivities:



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Upward Factor:

- Substantial scaling up its operations, while maintaining healthy asset quality, capital position, liquidity, and profitability.
- Timely merger with ICL Fincorp Limited resulting in a positive impact on the overall business profile of the company.

Downward Factor:

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.
- Delay in merger with ICL Fincorp Limited resulting in a negative impact on the overall business profile of the company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

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 384.88 Crores as on 31 Dec 2023. 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 19.05% as of FY23, compared with the minimum regulatory requirement of 15%. The company's net worth was at Rs 25.90 Crores as of FY23 and total debt of Rs 1.07



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Crores. The company's ability to achieve timely equity infusion and improve the capitalisation profile will be 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 28.54 Crores as on 31March 2023. The company's scale of operations is low given the nascent stages of operations and geographical concentration. The portfolio is unseasoned, however, the GNPA and NNPA increased to 1.34% and 1.21% respectively in FY23 when compared to 0.32% and 0.28% respectively on the back of change in NPA recognition policy from 180+dpd to 90+ dpd.

Lack of diversity in resource profile

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

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Non-Banking Finance companies](#)

[Criteria of assigning rating outlook](#)

[Parent/Group support criteria](#)

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



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The company is adequately capitalized with a CAR (%) of 19.05% as on 31 March 2023 and Networth of Rs 25.90 Crores. Also, it has adequately matched asset liability profile as on 31 March 2023 with majority of the portfolio currently funded with equity from promoters & shareholders of company. As on 31 March 2023, the company has liquidity of Rs 4.32 Crore with total debt of Rs 1.07 Crores.

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 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)

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	2.81	4.03
PAT	0.71	(0.11)
Tangible Net Worth	25.48	24.91
Total Debt	10.97	10.75
Total Loan Assets	28.82	28.53
Overall Gearing (Times)	0.43	0.43
ROTA (%)	2.21	(0.29)



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Total CAR (%)	18.52	19.05
Gross NPA (%)	0.32	1.34
Net NPA (%)	0.28	1.21

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Non-Convertible Debentures	Long Term	0.59	IVR BB/ Stable	March 07, 2023	March 21, 2022	-
2.	Proposed Non-Convertible Debentures	Long Term	99.41	IVR BB/ Stable	IVR BB-/ Negative; Issuer Not Co-Operating	IVR BB/ Stable	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Sree Harsha Tel: (022) 62396023 Email: sree.harsha@infomercis.com	Name: Mr. Hemant Sagare Tel: (022) 62396023 Email: hemant.s@infomercis.com
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining



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registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities/Instrument

Name of Facility	Date of Issuance	Coupon Rate/ IRR (%)	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCDs	22 Aug 2022	11.00	22 September 2023	0.10	IVR BB/Stable (IVR Double B)
NCDs	22 Aug 2022	11.50	22 September	0.02	



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			2023		with Stable Outlook)
NCDs	22 Aug 2022	12.00	22 September 2023	0.04	
NCDs	22 Aug 2022	11.50	22 September 2023	0.24	
NCDs	22 Aug 2022	12.00	22 August 2024	0.09	
NCDs	22 Aug 2022	11.75	22 August 2025	0.05	
NCDs	22 Aug 2022	12.75	22 August 2025	0.05	
Proposed NCDs	-	-	-	99.41	

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

Annexure 3: Facility wise lender details- N.A.

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:
NCD issue of Rs 100 Crores**

Name of the Instrument	Secured Non-Convertible Debentures
Security name	Retail NCDs (Private placement) 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 to be utilized for Capital expenditure/working capital purposes
Amount (Rs in Crores)	100.00
Coupon Rate	11.50 – 13.66%
Coupon payment frequency	Monthly-Annual
Tenor	13 – 65 months
Non - Financial Covenant	Nil



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Financial Covenant	Nil
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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.

