



Rating Rationale

Hriday Fincorp Private Limited

18 June 2019

Brickwork Ratings assigns the ratings for the Non-Convertible Debentures/Bonds Issue of ₹. 22.00 Crs. and reaffirms the ratings of Bank Loan of Rs. 18.66 Crs. of Hriday Fincorp Private Limited.

Particulars

Instrument	Amount	Coupon	Maturity Date	Rating*
Existing NCD/Bonds	5.98	9.75% - 10.50%	3.5 years or 5 years	BWR BB (Pronounced as BWR Double B) (Outlook: Stable)
Proposed NCD/Bonds	16.02			

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

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
Fund based Cash Credit	1.00	1.00	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook: Stable)	BWR BB (Pronounced as BWR Double B) (Outlook: Stable) [Reaffirmation]
Term Loan 1 (Existing)	2.70	2.66			
Term Loan 2 (Proposed)	15.00	15.00			
Total	18.70	18.66		INR Eighteen Crores and Sixty-Six Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:



BWR has essentially relied upon the audited financial statements of the company upto FY18, provisional financials for FY19, projected numbers upto FY21 and publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced promoters along with long track record in the financial industry, diversified nature of the product portfolio, moderate capital adequacy and comfortable average yield on advances. The rating however is constrained by small scale of operations, regional concentration of its operations and overdependence on the external funds.

Going forward increase in scale of operations keeping asset quality intact, capital infusion in the form of equity and ensure timely servicing of debt would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced promoters and long track record at group level:** - The company derives strength from the group's long-standing history in the same line of business. Promoters are into the business for over two decades and has seen multiple business cycles.
- **Moderate Capital Adequacy Ratio:** - CRAR of the company stood at 23.22% at the end of FY19 up against 19.84% at the end of FY18. The reason behind improvement in CRAR is increase in TNW on account of profit retention for FY19. The company is well above the minimum CRAR guideline of 15%
- **Good Asset Quality:** - The company reported nil delinquency level as on 31st March 2019 indicating strong underwriting skills and recovery mechanism in place. The company has small scale of operations as it is still in nascent stage with management and team going ahead very cautiously. Going ahead, as the company grows, keeping check on the delinquency levels will be a key area of concern.

Credit Risks:

- **Small scale of operations:** - The company is still in its nascent stage growing gradually with an asset under management of Rs. 12.22 Crs as on 31st March 2019. Generally, at this stage, management is very cautious, and strategy is to pick and choose which helps the management keep check on the delinquency levels. Once the company starts growing at accelerated pace, containing NPA levels will be a key thing to watch out for.
- **Regional concentration:** - Being originated in Rajasthan, majority of the portfolio comes from the home state. Though the company is slowly diversifying to Gujarat and has plans to enter Maharashtra and Madhya Pradesh, Rajasthan still contributes around 87% to the total portfolio.



- **High dependence on external funds to fuel growth:** - The company has tangible net worth of Rs. 2.89 Crs as per the provisional financials FY19. Leverage of the company stood above 3.50% as on 31st March 2019(Provisional) and is expected to go up as the company is looking to borrow additional funds. Long term borrowing of the company stood at Rs. 10.51 Crs as on 31st March 2019(Provisional)

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Hriday Fincorp Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the AUM and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the AUM goes down and profit margins show lower than expected figures.

About the Company

Hriday Fincorp Pvt. Ltd. is a Non-Banking Financial Institution based at Udaipur in Rajasthan (erstwhile Satkar Finance Pvt Ltd), registered with Reserve Bank of India in the year 2000. In the year 2012, the company diversified its commercial operations that offers a wide range of products. HFPL is primarily engaged in financing small and medium enterprises for working capital and growth, loans for purchase and construction of commercial property, vehicle financing, home purchase & home improvement loans, loans against property, gold loans etc. The company started operations majorly in FY17 and since then it has grown gradually.

About the Group

The group has three key companies operating in the financial sector. One of the group company is SRG Housing Finance Pvt. Ltd. which is into housing finance and mortgage loans. The other group company is SRG Securities Finance Ltd. which is into financing of equipment loans, vehicle loans and business loans. Overall AUM of the three companies combined was Rs. 228 Crs as on 31st March 2018. Both SRG Housing Finance Ltd. and SRG Securities Finance Ltd. are listed on BSE.

Company Financial Performance

The company reported Net Interest Income of Rs. 1.06 Crs with a PAT of Rs. 0.24 Crs during FY18. On provisional basis the company reported Net Interest Income of Ts. 1.41 Crs with a PAT of Rs. 0.62 Crs during FY19

Key Financial Indicators

Particulars	Unit	FY18	FY19
Type		Audited	Provisional
Portfolio	Rs. Crores	10.49	12.22
Gross NPA	%	Nil	Nil
Net NPA	%	Nil.	Nil
Net Interest Income	Rs. Crores	1.06	1.41
PAT	Rs. Crores	0.24	0.62
Tangible Net Worth	Rs. Crores	2.29	2.89
CRAR	%	19.84	23.22

Rating History for the last three years

S.No	Instrument/Facility	Current Rating (2019)			Rating History			
		Type	Amount (Rs. Crs)	Rating	2019 May	2018	2017	2016
1.	Fund Based (Proposed & Existing NCD)	Long Term	22.00	BWR BB (Pronounced as BWR Double B) Outlook: Stable	NA	NA	NA	NA
2.	Cash Credit		1.00	BWR BB (Pronounced as BWR Double B) Outlook: Stable [Reaffirmation]	BWR BB (Pronounced as BWR Double B) Outlook: Stable			
3.	Term Loan (Proposed & Existing)		17.66					
	Total		40.66	Rs. Forty Crores and Sixty Six Lakhs Only				



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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