



अर्थ : समाजस्य न्यास :

S. E. Investments Limited

Date: 28th July, 2017

The Manager
Department of Corporate Relationship
BSE Limited
(Thru.-Listing Centre)
25th Floor P. J. Towers, Dalal Street
Mumbai -400 001

The Listing Department
National Stock Exchange of India Limited
(Thru.-NEAPS)
Exchange Plaza, Bandra Kurla Complex
Bandra (East)
Mumbai -400 051

SCRIP CODE : 532900

SCRIP SYMBOL : SEINV

SUB.: Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 - Revision of Credit Rating

Dear Sir/ Madam,

This is to inform you that India Ratings & Research (a Fitch Group Company), the Credit Rating Agency, has assigned /revised the credit rating of the Company's instruments as given below:

- (i) Long Term Banks Loans limits of Rs. INR 8,000 million (increased from INR 6,500 million): Rating- **IND A-**, Outlook- **Positive** (Outlook revised to positive; rating affirmed)
- (ii) Long Term Debentures aggregating to INR 1,000 million: Rating- **IND A-**, Outlook- **Positive** (Assigned)

We are enclosing the rating rationale issued by India Ratings & Research.

We request you to take the above information on record.

Thanking you

Yours Faithfully,

For S. E. Investments Limited


(HARISH SINGH)
Executive Director



Encl.: as above

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www.seil.in

CIN No. L65921DL1992PLC120483

Business Loans

Small Loans

Auto Loans

Loan against property

Lockers

Equipment Leasing

India Ratings Revises S.E. Investments' Outlook to Positive; Affirms 'IND A-'; Rates New Debt

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By Siddharth Goel

JUL 2017

India Ratings and Research (Ind-Ra) has taken the following rating actions on S.E. Investments Limited's (SEIL) debt instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Long-term bank loans	-	-	-	INR8,000 (increased from INR6,500)	IND A-/Positive	Outlook revised to Positive; rating affirmed
Long-term debentures	-	-	-	INR1,000	IND A-/Positive	Assigned

KEY RATING DRIVERS

Continued Push towards Granular Portfolio: The ratings reflect SEIL's comfortable capital buffers, well-managed asset quality, healthy profitability metrics, and reasonable liquidity as reflected in matched asset-liability tenor. The Outlook revision reflects reducing borrower concentration as well as improving access to funding which should help in business expansion. SEIL focuses on reducing borrower concentration with targeted reduction in loan ticket size in the large ticket loan segment, which formed 76% of total portfolio in FY17, aiding in making the book granular. Top 30 loans reduced to 27% of the total loans in FYE17 from 32% in FYE15.

The ratings also consider SEIL's geographical concentrations in the loan portfolio, and the fact that 21% of the loan portfolio is uncollateralised and thus inherently faces a fair amount of credit risk.

Growth to be Supported by Improved Access to Funding: Loans grew 27% during FY16-FY17. The growth had been impacted earlier (3% CAGR during FY12-FY16) owing to SEIL's inability to leverage its balance sheet. While the funding remains concentrated (bank loans form 83% of borrowing), SEIL targets to strengthen the funding profile

through capital market instruments as well as increasing bank relationships. An increase in leverage (assets to equity FY17: 2.8x) would enable SEIL to grow its balance sheet and improve profitability (return on assets FY17: 3.6%; FY16: 3.8%).

Operating Profitability to Cushion Credit Losses: SEIL's leverage is low with Tier 1 capital ratio of 37.8% at FYE17; the ratio is likely to remain above 20% in the medium term. The company writes off loans past 120 days. Its credit costs (FY17: 2.9% of average loans, FY16: 1.4%) were impacted due to the impact of demonetisation on its rural-based income generation loans, and should improve in the near-to-medium term with the collections improving. The steady state credit cost is moderate and compares well with peers. The pre-provision operating profit (PPOP) to credit costs buffer provides comfort (FY17: 3.4%; FY16 5.8%).

SEIL mainly provides secured business loans majorly collateralised by real estate property to small and medium entities for a tenor of two to three years. While the company follows stringent underwriting in business loans, the key risk to its portfolio quality is a downturn in the business environment along with deterioration in real estate prices. In such a case, given its lumpy nature, Ind-Ra believes the portfolio could see a spike in delinquencies, however, the company's PPOP buffer provides reasonable cushion to absorb some credit cost spikes. The unsecured small ticket loans, which form around 21% of the portfolio, are mainly to dairy farmers in Uttar Pradesh. During FY17, SEIL started the unsecured small ticket loans through group lending mechanism (yield on loans: 26%) which would strengthen asset quality.

SEIL plans to diversify the group lending operations into its existing locations in Rajasthan. The key risk in the unsecured loan product portfolio is a contagion risk, wherein the borrowers could wilfully default in large numbers. SEIL entered the loans against property segment in FY16 in various districts of Rajasthan, with lending small ticket size loans averaging INR0.2 million and ranging between INR0.1 million and INR1 million. Loans against property account 3% of SEIL's loan portfolio.

RATING SENSITIVITIES

Positive: A positive rating action could result from SEIL's sharply improved access to cheaper and more diverse funding avenues, and demonstration of substantially reduced concentrations in its loan portfolio, while maintaining adequate liquidity, moderate leverage and stable asset quality metrics as it scales up its operations.

Negative: SEIL ratings could be downgraded upon higher-than-expected asset quality deterioration, inability to maintain pre-provision operating profit buffer, and material deterioration in capital buffers. Any sizeable deterioration in the liquidity position would also be a credit negative. Instances of dilution in lending practices which may impair the corporate governance profile of the company would also lead to a rating downgrade. Inability to reduce borrower concentration or inability to improve funding profile would result in revision of Outlook to Stable.

COMPANY PROFILE

SEIL is a non-deposit-accepting non-banking finance company incorporated in 1992 that mainly provides secured business loans and unsecured income generation loans. The company is headquartered in Agra with its corporate and registered offices in Delhi. It went public in 1996 and is listed on the Bombay Stock Exchange, National Stock Exchange and Luxembourg Stock Exchange.

SEIL has a total of 25 branches and operates in Delhi, Uttar Pradesh, Rajasthan, Maharashtra, West Bengal, Gujarat, Madhya Pradesh, Bihar, Andhra Pradesh, Kerala, and Punjab. Delhi and Uttar Pradesh together accounted around 89% of SEIL's portfolio outstanding at end-March 2017.

FINANCIAL SUMMARY

Particulars	FY17	FY16
Total assets (INR million)	15,291.6	12,899.2
Total equity (INR million)	5,541.3	5,103.5
Net income (INR million)	512.9	451.3
RoAA (%)	3.6	3.8
Equity/Assets (%)	36.2	39.6
Tier 1 capital (%)	37.8	41.4

Source: SEIL

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating/Outlook	27 April 2016
Long-term bank loans	Long-term	INR8,000	IND A-/Positive	IND A-/Stable
Long-term debentures	Long-term	INR1,000	IND A-/Positive	-

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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For more information, visit www.indiaratings.co.in.

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Applicable Criteria

[Financial Institutions Rating Criteria](#)
[Non-Bank Finance Companies Criteria](#)

Analyst Names

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