

Rating Rationale

July 01, 2025 | Mumbai

Salem Erode Investments Limited

'Crisil BB/Stable' assigned to Bank Debt and Non Convertible Debentures

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating	Crisil BB/Stable (Assigned)

Rs.50 Crore Non Convertible Debentures	Crisil BB/Stable (Assigned)
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Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has assigned its '**Crisil BB/Stable**' rating to Rs 50 Crore non-convertible debentures and proposed long-term bank facility of Salem Erode Investments Limited (SEIL).

The overall rating on the company continues to factor-in expectation of continued support from its parent ICL Fincorp Limited (ICL Fincorp Limited; Crisil BBB-/Stable/Crisil A3') given the high strategic importance and benefits of operational support from the group. The rating further takes into consideration SEIL's adequate capital position. These strengths are partially offset by moderate scale of operations and weak earnings profile

Salem Erode Investments Ltd (SEIL) was acquired by ICL Fincorp Limited in February 2020 with the aim of spurring growth in other geographies. The scale of operations of SEIL remains modest with AUM of Rs 13.5 crore as on March 31, 2025, which has degrown from Rs 16.8 crore as as on March 31, 2024. The company is primarily engaged in gold loan financing and lending to ICL Fincorp Limited, through Intercompany Deposits (ICD). The company reported GNPA of 2.93% in fiscal year 2025, as compared to 2.46% in the previous fiscal. The company is operating out of thirty-eight branches, in the states of Tamil Nadu and Odisha.

Analytical Approach

Crisil Ratings has assessed the standalone financial and business risk profiles of Salem Erode Investments Limited and has factored in its strategic importance to, and the strong financial support expected from ICL Fincorp Limited.

Key Rating Drivers & Detailed Description

Strengths:

Strategic importance to, and expectation of strong financial support from, the parent ICL Fincorp: SEIL operates as subsidiary of ICL Fincorp; ICL Fincorp (parent) presently holds 75% stake and expected to hold this stake going forward. Being a subsidiary, SEIL is strategically important for ICL Fincorp and therefore is expected to receive strong managerial, operational and financial support from its parent on an ongoing basis and also in case of any distress. As far as brand name sharing is concerned, ICL Fincorp shares its branding with SEIL in its public documents and announcements. Hence, there is strong moral obligation for ICL Fincorp to support SEIL given the shared name and brand. Furthermore, there has been commonality in promoters with Mr Kuzhuppilly Govinda Menon Anil Kumar (promoter and MD of ICL Fincorp) holds position of managing director on the board of SEIL and Mrs Uma Devi Anil Kumar (Director). In terms of product profile, both SEIL and ICL Fincorp operate in similar segments, i.e. offering loans against gold jewelry. SEIL operates out of 38 branches, which helps in enhancing both brand and scale of its parent (ICL Fincorp).

Adequate capital position: Given the small scale of operations, the capital position is adequate for the current and planned scale of operations. The net worth and gearing of the company stood at Rs 19.38 crore and 0.7 times as on March 31, 2025, respectively (Rs 24.08 crore and 0.8 times as on March 31, 2024). The company has maintained a Capital Adequacy Ratio (CAR) of 63.97% in the fiscal year 2025 as compared to 49% in the previous fiscal year. However, the ability of the company to infuse additional capital to support the growth of the company will be key monitorable.

Weaknesses:

Moderate scale of operations: The company is primarily engaged in gold loan financing and lending to ICL Fincorp Limited, through Intercompany Deposits (ICD). Given the small scale of operations, loan portfolio was modest at Rs 13.5 crore as on March 31, 2025, as compared to Rs 16.8 Crores in the previous fiscal. The degrowth is account of the company entirely concentrating on gold loans, which contribute to 100% of the loan portfolio, which was 52% in the previous fiscal. As on March 31, 2025, the company's loan book consists of 100% gold loans The company is operating out of thirty-eight

branches, in the states of Tamil Nadu and Odisha. The ability of the company to scale up the portfolio will be a key monitorable.

Modest earnings profile: The profitability metrics of the company remained modest because of its small scale of operations and high operating expenses. During fiscal 2025, the company reported losses of Rs 4.95 crore with a return on managed assets (ROMA) at (11.2%) as compared to losses of Rs 1.8 crore during previous fiscal. The company's operating expense was increased from 9.9% in fiscal 2024 to 15.2% in fiscal 2025. Going forward, the ability of the company to improve its overall profitability will remain key monitorable.

Liquidity: Adequate

The liquidity position of the company stands supported by the availability of credit lines from the parent as and when required. The liquidity balance as on May 31, 2025, stood at Rs 3.2 crores against which the debt repayments including operating expenses for 3 months i.e., till August 2025 stood at Rs 1.69 crores, with a liquidity cover of 1.9 times.

Outlook: Stable

Crisil Ratings believes that SEIL will continue to receive strong operational, financial, and managerial support from ICL Fincorp Limited and maintain adequate capitalisation over the medium term

Rating sensitivity factors

Upward factors

- Upward revision in the rating on ICL Fincorp Limited or change in the company name to reflect stronger association with the parent
- Substantial improvement in earnings profile with RoMA maintained at above 1%
- Significant scale up of the loan book while reducing operating and credit costs

Downward factors

- Dilution of the stake of ICL Fincorp Limited in the company below majority or downward revision in the rating on ICL Fincorp or change in the support philosophy of the parent
- Deterioration in asset quality, with gross net performing assets (90+ dpd) increasing to above 5%

About the Company

Salem Erode Investments Limited, a BSE listed NBFC, post the acquisition provides gold loans. SEIL has 38 branches as of March 2025 and ICL Fincorp Limited holds 75% stake in SEIL. The promoters are also active in businesses such as chits, tours and travels, through separate companies.

Key Financial Indicators

As on / for the period ended,		2025	2024	2023	2022
Total assets	Rs crore	36.4	47.5	39.5	39.0
Total income	Rs crore	3.9	4.1	4.0	2.8
Profit after tax	Rs crore	(4.7)	(1.8)	(0.1)	0.7
Gross non-performing assets	%	2.95	2.44	1.47	0.31
Gearing	Times	0.7	0.8	0.4	0.4

Status of non cooperation with previous CRA:

SEIL has not cooperated with INFOMERICS Ratings which has classified it as Issuer non cooperative vide release dated Jul 03, 2024. The reason provided by INFOMERICS Ratings is absence of adequate information from the firm.

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Non Convertible Debentures [#]	NA	NA	NA	50.00	Simple	Crisil BB/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	50.00	NA	Crisil BB/Stable

Annexure - Rating History for last 3 Years

		Current		2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	50.0	Crisil BB/Stable		--		--		--		--	--
Non Convertible Debentures	LT	50.0	Crisil BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	50	Not Applicable	Crisil BB/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for Finance and Securities companies (including approach for financial ratios)
Criteria for factoring parent, group and government linkages

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