

May 27, 2025

Seyad Shariat Finance Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fixed deposit programme	-	-	[ICRA]BBB- (Stable); reaffirmed
Total	-	-	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation takes into consideration Seyad Shariat Finance Limited's (SSFL) adequate profitability and comfortable capitalisation profile. Its net profitability (profit after tax/average managed advances; PAT/AMA) improved to 6.6% in FY2025 (provisional; 5.5% in FY2024), supported by controlled credit costs, while its gearing stood at 0.3 times (provisional) as of March 2025. The rating also takes comfort from SSFL being a part of the Seyadu Group (the Group). The Group's promoters are actively involved in the company's operations. SSFL also leverages the Group's employee base for raising deposits and extending credit.

The rating remains constrained by SSFL's modest scale, geographically concentrated operations and subdued asset quality. The company's 90+ days past due (dpd) delinquencies remain elevated, notwithstanding the slight improvement to 4.2% as of March 2025 from 4.3% as of March 2024 (6.4% as of March 2023). The 180+ dpd, however, improved to 1.5% as of March 2025 from 3.2% as of March 2024 (5.8% as of March 2023) on the back of strong recoveries in the harder bucket delinquencies.

ICRA notes that SSFL plans to surrender its deposit acceptance licence over the near to medium term. It stopped accepting fresh deposits and renewing its maturing deposits in FY2025. Correspondingly, deposits outstanding declined to Rs. 11.9 crore as of March 2025 from Rs. 26.3 crore as of March 2024. SSFL's funding diversity is limited as it does not have any bank facilities and has historically funded its portfolio largely through deposits from the public and funds from the promoters and related parties. With the rundown of its deposits, the company's ability to mobilise funds from other sources would be a key challenge. Expected deposit maturities in FY2026 amount to Rs. 6.6 crore and the same shall be funded by the issuance of preference shares and advance maturities.

The Stable outlook reflects the comfortable capitalisation and adequate profitability, which would support the credit metrics in the near term.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – SSFL's capitalisation is comfortable with a gearing of 0.3 times (provisional) and a total capital adequacy ratio of 80.6% as on March 31, 2025, reflecting an improvement from 0.6 times and 70.1%, respectively, as on March 31, 2024. ICRA expects the company to maintain a comfortable capital structure over the medium term as internal generation is likely to be sufficient to meet the modest business growth expected in the near to medium term.

Adequate profitability indicators – SSFL's profitability (PAT/AMA) improved to 6.6% in FY2025 (provisional) from 5.5% in FY2024, supported by controlled credit costs. Credit costs stood at -1.4% in FY2025 compared to -0.7% in FY2024 on account of the reversal of provisions, following recoveries of Rs. 1.0 crore from harder bucket delinquencies (>180+ dpd) during the year. Correspondingly, the provision coverage ratio reduced to 60.5% as of March 2025 from 98.2% as of March 2024 and

88.2% as of March 2023. Operating expenses increased marginally to 6.4% in FY2025 from 6.0% in FY2024 due to the stagnant portfolio, partially offsetting the improvement in credit costs. Going forward, SSFL's ability to keep the operating and credit costs under control would be critical for incremental profitability.

Part of Seyadu Group – SSFL is a part of the Seyadu Group, which is a well-established brand in southern India. Seyadu Beedi Company is the Group's flagship company. Over the years, SSFL has been leveraging the Group's employee base to raise low-cost deposits and to extend personal loans. Collections pertaining to personal loans are taken by way of fortnightly wage deductions. The Group's promoters are actively involved in the operational and strategic decision-making process. Promoters/relatives of the promoters have also subscribed to the preference shares and invested in the deposits of SSFL.

Credit challenges

Modest scale of operations; significant geographical and customer concentration – SSFL has a modest scale of operations (portfolio of Rs. 50.5 crore as on March 31, 2025) with the loan book concentrated in eight districts in Tamil Nadu. Loan against property (LAP) and personal loans constituted about 66% and 29% of the portfolio, respectively, as of March 2025. Further, the share of large-ticket loans (>Rs. 50 lakh) increased in the LAP segment to 39% as of March 2025 from 28% as of March 2024 (45% as of March 2023). Going forward, SSFL's ability to restrict risks arising from such concentrated exposures would be a key rating consideration.

The company plans to foray into lending against used and new commercial vehicles. In the near to medium term, portfolio growth is expected to remain modest, with a mix of 50:30:20 comprising LAP, personal loans to beedi workers and commercial vehicle loans, respectively.

Subdued asset quality – SSFL's asset quality in the LAP segment deteriorated with the 90+ dpd increasing to 6.3% as of March 2025 from 5.1% as of March 2024 on account of slippages in certain high-ticket loans. However, harder bucket delinquencies, i.e. 180+ dpd, improved to 2.2% as of March 2025 from 5.0% as of March 2024. The LAP segment constituted about 66% of the portfolio as of March 2025 vis-à-vis 56% as of March 2024. While these loans are extended to self-employed borrowers with average credit profiles, the loan-to-value (LTV) is low at 40-50%.

The overall 90+ dpd remains elevated, notwithstanding the improvement to 4.2% as of March 2025 from 4.3% as of March 2024 and 6.4% as of March 2023. The 180+ dpd improved to 1.5% as of March 2024 from 3.2% as of March 2024 and 5.8% as of March 2023, supported by recoveries.

SSFL's loan origination and appraisal process and subsequent monitoring are modest; the promoters are directly involved in the credit appraisal process for large-ticket loans. It undertakes credit bureau checks for all borrowers, including Group company employees.

Liquidity position: Adequate

SSFL has a comfortable asset-liability maturity (ALM) profile, supported by low leverage. As of March 31, 2025, the ALM profile reflected no cumulative negative mismatches in the less-than-1-year buckets. ICRA also notes that the company expects maturity of deposits of Rs. 6.6 crore between April 2025 and March 2026 vis-à-vis advance maturities of Rs. 29.3 crore during this period.

SSFL's borrowing profile predominantly comprises public fixed deposits (82% of the total borrowings as of March 2025) with preference shares subscribed by the promoters accounting for the balance. The company does not have any funding lines from banks. Going forward, SSFL's financial flexibility will be limited as it has stopped accepting fresh deposits/renewing maturing deposits and is expected to surrender its deposit acceptance licence in the near to medium term.

Rating sensitivities

Positive factors – An improvement in the asset quality and portfolio growth and enhancement in the earnings profile would be positive factors.

Negative factors – Weakening in the asset quality, which could affect the capital profile, would have a negative impact. A significant decline in the deposits and a deterioration in the liquidity profile would also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of SSFL

About the company

Seyad Shariat Finance Limited is a small, deposit-taking non-banking financial company (NBFC) established in 1989. It provides personal loans (predominantly to Group company beedi workers/rollers), mortgage-backed loans (LAP), and vehicle finance loans. As on March 31, 2025, LAP constituted 66% of the company's loan portfolio, followed by personal loans at 29% and vehicle loans at 5%.

SSFL is a part of the Seyadu Group of Companies, which has interests in beedi production, textile, finance, etc. Seyadu Beedi Company is the flagship company of the Group. SSFL has an arrangement with Seyadu Beedi Company to deduct loan instalments from the fortnightly wages of its employees. The Group is well established in the Tirunelveli region of southern Tamil Nadu. SSFL reported a provisional net profit of Rs. 4.8 crore on a total asset base of Rs. 63.9 crore as on March 31, 2025 compared with a net profit of Rs. 4.1 crore on a total asset base of Rs. 74.1 crore as on March 31, 2024.

Key financial indicators (audited)

Seyad Shariat Finance Limited	FY2023	FY2024	FY2025*
Total income	10.9	11.7	10.3
PAT	4.3	4.1	4.8
Total managed assets	69.0	74.1	63.9
Return on managed assets	24.9%	29.7%	24.9%
Managed/Adjusted/Reported gearing (times)	0.7	0.6	0.3
Gross stage 3	6.4%	4.3%	4.2%
CRAR	73.9%	70.1%	80.6%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	May 27, 2025	Date	Rating	Date	Rating	Date	Rating
Fixed deposit	Long term	0.00	[ICRA]BBB- (Stable)	May 31, 2024	[ICRA]BBB- (Stable)	May 26, 2023	[ICRA]BBB- (Stable)	Jun 14, 2022	[ICRA]BBB- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fixed deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fixed deposit programme	-	-	-	-	[ICRA]BBB- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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