

December 20, 2023

SK Finance Limited (erstwhile Ess Kay Fincorp Limited) : Ratings withdrawn for assignee payouts issued under tractor loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Ess Kay IB DA 2020	Assignee payouts	42.30	9.24	0.00	[ICRA]A+(SO); Withdrawn

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the ratings for assignee payouts issued under the aforesaid transactions which are backed tractor loan receivables originated by SK Finance Limited (SKFL) (rated [ICRA]AA-(Stable)). All the payouts to the investors in the above-mentioned instruments have been made and no further payments are due to the investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the ratings assigned to the instruments have been withdrawn. The previous detailed rating rationale of previous rating exercise is available at the following link:

[Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Incorporated in 1994, SKFL has its headquarters in Jaipur (Rajasthan). It is a non-banking financial company (NBFC) registered with the RBI. It primarily finances used light commercial vehicles, multi-utility vehicles, cars, tractors and two-wheelers. It also advances SME loans. SKFL had a network of 456 branches as on June 30, 2023, across 12 states, namely Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Punjab, Haryana, Chhattisgarh, Delhi, Himachal Pradesh, Uttarakhand, Karnataka and Uttar Pradesh, though concentration towards Rajasthan remains high with a share of 54.2% in portfolio. As on June 30, 2023, the AUM stood at about Rs. 7,932 crore with commercial vehicles forming the largest share at 46%, followed by cars (18%) and MSME loans (18%), tractors (14%) and two-wheelers (4%).

The promoter group, viz., Mr. Rajendra Setia and his family members, held 38.5% equity share in the company as on June 30, 2023. Other key equity investors include Northwest Venture Partners, TPG Capital, Evolve, Barings India and IIFL Special Opportunities Fund Series 9 with equity shareholding of 24.1%, 18.7%, 5.5%, 4.6% and 3.5%, respectively, as on June 30, 2023.

The company reported a profit after tax (PAT) of Rs. 222.8 crore on total managed assets of Rs. 9,597.0 crore as on March 31, 2023, compared to PAT of Rs. 142.9 crore in FY2022 on a total managed assets of Rs. 6,434.5 crore as on March 31, 2022. The company's net worth stood at Rs. 1,833.7 crore with managed gearing of 4.1 times as on March 31, 2023, compared to Rs. 1,596.4 crore and 2.9 times, respectively, as on March 31, 2022. The gross stage 3 and net stage 3 for the company stood at 1.9% and 1.3%, respectively, as on March 31, 2023, compared to 2.8% and 2.0%, respectively, as on March 31, 2022. In Q1 FY2024, the company reported a PAT of Rs. 59.4 crore on total managed assets of Rs. 10,399.8 crore as on June 30, 2023. The company's net worth stood at Rs. 1,899.4 crore with managed gearing of 4.3 times as on June 30, 2023, based on provisional financials. The company's gross stage 3 and net stage 3 was 2.5% and 1.7%, respectively, as on June 30, 2023.

Key financial indicators

SK Finance	FY2021	FY2022	FY2023	Q1 FY2024
Total Income	683	821	1,314	402
Profit after tax	91	143	223	59
Total managed assets	4,558	6,427	9,597	10,400
Gross NPAs	4.1%	2.8%	3.1%	3.7%
Net NPAs	1.9%	2.0%	2.3%	2.7%

Amount in Rs. crore

Source: Company, ICRA Research; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Dec 20, 2023	Jan 27, 2023	Jan 31, 2022	Jan 14, 2021	Oct 27, 2020
1	Ess Kay IB DA 2020	Assignee Payouts	42.30	0.00	[ICRA]A+(SO); Withdrawn	[ICRA]A+(SO)	[ICRA]A(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Ess Kay IB DA 2020	Assignee Payouts	Moderately Complex

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, is available on ICRA's website [Click Here](#)

Annexure I: Instrument details

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate [^]	Maturity Date*	Amount Rated (Rs. Crore)	Current Rating
Ess Kay IB DA 2020	Assignee Payouts	October 2020	9.35%	April 2025	0.00	[ICRA]A+(SO); Withdrawn

[^] Floating rate linked to 1-year MCLR + 2.00%; yield will increase by 0.25% post PCG cover period

* Scheduled maturity and average life at transaction initiation; may change on account of prepayment

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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Branches



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