

Pahal Financial Services Private Limited: Assigned

| Facilities | Amount (Rs Crore) | Rating/Outlook |
|--------------------|-------------------|-----------------------------|
| Cash Credit | 4.00 | SMERA BB+/Stable (Assigned) |
| Term Loan | 6.00 | SMERA BB+/Stable (Assigned) |
| Proposed Term Loan | 40.00 | SMERA BB+/Stable (Assigned) |

SMERA has assigned long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the above mentioned bank facilities of Pahal Financial Services Private Limited (PFSPL). The outlook is '**Stable**'.

The rating derives comfort from the company's experienced management, healthy asset quality and diversified funding base. However, the rating is constrained by the moderate scale of operations and average capitalisation level. The rating also factors in the exposure of the company to geographical concentration risk.

PFSPL, is a Gujarat-based non-deposit taking NBFC-MFI. The company benefits from its experienced management. The promoters have more than two decades of experience in the BFSI sector.

PFSPL's healthy asset quality is reflected in the on-time collection rate of ~99 per cent over the past three years. The gross non-performing assets (GNPAs) stand at 0.30 per cent and net non-performing assets (NPAs) at 0.12 per cent as on March 31, 2016. The company has a well-diversified funding base with borrowings from banks, financial institutions and through NCD's raised through private placements. PFSPL has also raised funds by way of securitisation of assets.

However, PFSPL has moderate scale of operations marked by loan portfolio of Rs.60.2 crore as on March 31, 2015. The same has increased to Rs.106.2 crore as on March 31, 2016. The company's moderate capitalisation is reflected in the capital adequacy ratio (CAR) of 16.34 per cent as on March 31, 2016. PFSPL has raised equity capital of Rs.2.43 crore in FY2015-16. SMERA believes that the aforementioned capital infusion will help PFSPL to expand its scale of operations while maintaining moderate leverage.

PFSPL's operations are concentrated in Gujarat with around 93 per cent of the portfolio as on March 31, 2016. The company has diversified its operations into other states viz. Madhya Pradesh and Maharashtra.

Rating Sensitivity Factors

- Scaling up operations while maintaining healthy asset quality
- Improvement in operational efficiency

Outlook-Stable

SMERA believes PFSPL will maintain a stable outlook over the medium term. The outlook may be revised to 'Positive' if the company registers significant growth in loan portfolio while maintaining healthy asset quality and achieves improvement in operational efficiency. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the asset quality and operational efficiency.

Criteria applied to arrive at the rating:

- Non-Banking Finance Companies

About the Company

PFSPL, incorporated in 1994, is a Gujarat-based non-deposit taking NBFC-MFI. The promoters acquired the microfinance portfolio of Lok Vikas Nidhi (a division of Vikas Centre for Development) - a trust operating in the area of social development in Gujarat for over 25 years and commenced commercial operations in 2011. PFSPL lends under the Joint Liability Group (JLG) model to women. The company is currently managed by Mr. Kartik Mehta and Mrs. Purvi J. Bhavsar and operates 56 branches across Gujarat, Madhya Pradesh and Maharashtra.

For FY2015-16, PFSPL reported profit after tax (PAT) of Rs.1.88 crore on total income of Rs.25.92 crore, as compared with PAT of Rs.1.45 crore on operating income of Rs.17.08 crore in FY2014-15.

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ABOUT SMERA

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