

Press Release

Paisabuddy Finance Private Limited

September 09, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs. 10 crore bank facilities of Paisabuddy Finance Private Limited (GFSL). The outlook is '**Stable**'.

About the company

Jaipur based, Paisabuddy Finance Private Limited (PFPL) is a Non-Banking Financial Company (NBFC). It was incorporated as a private limited company on August 19, 1996, by the name of Gurudev Savings Hire Purchase India Private Limited. In FY2000, the company registered with the Reserve Bank of India as a non-deposit accepting NBFC. The company is primarily engaged in extending a credit against property & unsecured Personal Loans. It currently operates in the Jaipur District with 3 branches.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of PFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Promoters:**

PFPL commenced its operations in 2017. The company is promoted by Mr. Dheerendra Goyal and Mr. Suresh Chandra Koolwal, who has over two decades of experience in BFSI segment. The day to day operations are managed by Mr. Dheerendra Goyal and Mr. Suresh Chandra Koolwal, each of the promoters has experience of over two decades in the banking and financial services industry. Both of them are ex-bankers having extensive experience in various verticals of the banking industry. The Promoters have infused equity of Rs. 5.04 Cr, Quasi Equity of Rs. 8.30 Cr and Rs. 2.90 Cr by way of debt. They have built a book of Rs. 20.60 Cr as on March 31, 2020 majorly through promoter funding.

Going forward, the company plans to venture into Gold Loans for which the company has taken approval from RBI. PFPL also plans to expand its portfolio to Vehicle Loans. The company is under the process of developing a website so as to enable people to apply for loans online.

Acuité believes that PFPL will benefit from its experience of the promoter and management team to expand its operations and grow its loan portfolio.

Weaknesses

- **Nascent Stage of Operations**

The current promoters commenced operations in February 2017; hence the company is in its initial phase of operations. It commenced with unsecured loans now changed to LAP, hence most of its portfolio is relatively unseasoned and performance is yet to be demonstrated. The impact of Covid-19 may also impair the scalability of business, which has currently disrupted the collections and disbursements. However, the collection efficiency has improved to 86.44% in the month of July, 2020. As of March 31, 2020; ~31% the loans are given at LTV less than 30%; a higher LTV will be beneficial for the company.

Any sharp deterioration in the asset quality will adversely impact the company's profitability and will remain a key monitorable.

Acuité believes that PFPL's ability to maintain healthy asset quality while growing its loan portfolio will remain a key rating sensitivity factor.

• Risk Inherent to Non-Banking Finance Sector

The activities of companies like PFPL are exposed to concentration risks. PFPL has a presence in the state of Rajasthan, in districts in and around of Jaipur. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. The impact of Covid-19 may also impair the scalability of business operations, which has currently disrupted collections and disbursement processes. Generally, the risk profile of a non-banking company with a geographically diversified portfolio is more resilient compared to that of an entity with a geographically concentrated portfolio.

Acuité believes that modest scale of operations coupled with geographic concentration in its portfolio will continue to weigh on the company's credit profile.

Liquidity Position: Adequate

PFPL's liquidity buffers primarily depend on its cash inflows (collections from clients, infusion from directors and equity inflows) vis-a-vis. the cash outflows (disbursements, debt servicing commitments and operating expenses). As on the Month of August, 2020, 20% of the Portfolio is under moratorium. The collections have improved and reached near to pre COVID levels. The company has not availed moratorium from both of its lenders. PFPL's scheduled monthly average collections as on March 31,2020 are around Rs. 0.57 Crore against which it has monthly debt service obligations of around Rs. 0.12 Crore. The company has unutilised Bank Lines of Rs. 0.46 Crore as on July 31, 2020.

Rating Sensitivities

- Growth in Loan portfolio
- Asset Quality
- Scaling up operations

Material Covenants

- TOL/NOF <= 4 times
- GNPA <= 3.00%
- NNPA <= 2.00%

Outlook: Stable

Acuité believes that PFPL will maintain a 'Stable' outlook on account of its experienced management. The outlook may be revised to 'Positive' in case the company is able to scale up its operations while maintaining their asset quality. Conversely, the outlook may be revised to 'Negative' in case of continued growth challenges or asset quality pressures.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	22.31	16.94
Total Income (Net of Interest Expense)	Rs. Cr.	2.87	1.68
PAT	Rs. Cr.	0.71	0.43
Networth	Rs. Cr.	15.05	14.34
Return on Average Assets (RoAA)	(%)	3.64	3.38
Return on Net Worth (RoNW)	(%)	4.86	4.83
Total Debt/Net Worth (Gearing)	Times	0.42	0.06
Gross NPA's	(%)	0.15	0.46
Net NPA's	(%)	0.14	0.42

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

Not Applicable

Applicable Criteria

- Rating of Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

None

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	24.04.2019	14.50%	Not Available	0.50	ACUITE BB+/Stable (Assigned)
Term Loan	24.04.2019	14.50%	24.04.2022	1.50	ACUITE BB+/Stable (Assigned)
Term Loan	14.09.2018	15.25%	13.10.2021	1.00	ACUITE BB+/Stable (Assigned)
Term Loan	30.07.2019	15.25%	30.08.2022	1.00	ACUITE BB+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+/Stable (Assigned)

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About Acuité Ratings & Research:

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