

Press Release

Paisabuddy Finance Private Limited

December 03, 2021



Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	10.00	ACUITE BB+ Stable Reaffirmed	
Total	-	10.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE Double B Plus**) on the Rs.10.00 Crore bank facilities of Paisabuddy Finance Private Limited (PFPL). The outlook is '**Stable**'.

The rating reaffirmation factors in experienced promoter team and comfortable capitalization levels supported by equity infusion by existing promoters. As on October 2, 2021, PFPL has reported healthy Capital adequacy and Gearing ratio, CAR and gearing of 77.69% [March 31, 21: 32.61%] and 0.31x [March 31, 21: 2.37x] on the back of infused equity of Rs.15.18 Crore during October, 2021 by converting a part of unsecured loans of Rs.14 Crores into equity.

The ratings are however constrained by the company's small size of operations, geographical concentration and limited resources raising ability. The company continues to depend on unsecured loans from directors and has limited financial arrangements for debt raising. The ratings are also constrained by the company's modest financial performance and asset quality metrics. PFPL reported ROAA of 5.87% during FY21 [P.Y.:3.66%] which has decreased to 0.59% during H1FY22 on account of high operational costs associated with branch and manpower expansion. While the company reported 92.2% of portfolio as on-time as on September 31, 2021, its GNPA (180+dpd) weakened from 0.20% as on March 31, 2021 [P.Y.: 0.15%] to 2% as on September 30, 2021.

Acuite takes cognizance of company's plans to scale up portfolio in the near to medium term while tapping external borrowings. Going forward, company's ability to raise capital and profitably scale-up its operations will be key monitorables.

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

Strength

- **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. Post infusion, the percentage of holding of share capital of both the families remain unchanged. The stake of Koolwal family and relatives is maintained at 90% and Goyal family and relatives at 10% which was same prior to infusion. 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.15.18 Crore during October, 2021 by converting a part of unsecured loans into equity. This resulted into improvement of gearing ratio to 0.31x as at October 21 (2.37x in FY21).

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

Weakness

- **Modest profitability and asset quality metrics**

Despite disruptions on account of Covid-19 spread, the company reported an average Collection Efficiency of 104.42% for 12 months till Sept 30, 2021. This is because a portion of borrowers who had availed moratorium in the past started prepaying loans. While the company reported 92.2% of portfolio as on-time as on September 31, 2021, its GNPA (180+dpd) weakened from 0.20% as on March 31, 2021 [P.Y.: 0.15%] to 2% as on September 30, 2021. Any sharp deterioration in the asset quality will adversely impact the company's profitability and will remain a key monitorable.

PFPL reported profitability metrics marked by ROAA of 5.87% during FY21 [P.Y.:3.66%] which has decreased to 0.59% as on September 30, 21, reason being addition of personnel cost as an impact of increase of 8 branches during H1FY22. 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 Gujarat and 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.

Rating Sensitivity

- Ability to raise capital
- Movement in profitability and asset quality metrics
- Scale up in operations

Material Covenants

PFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others. As per confirmation received from client vide mail 'PFPL is adhering to all terms and conditions stipulated as covenants by all its lenders.'

Liquidity Position: Adequate

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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 Collection Efficiency of 104.42% for 12 months till Sept 30, 2021. Liquidity position of the company is adequate. Closing balance of liquidity statement as on 30th September 2021 is 3.95 Crores, as against the contractual liabilities of the company for four months (Oct 21 to Jan 22) amounts to Rs.34.82 Crore, anticipating collections are of Rs.2.86 Crores, additionally company also has undrawn cc limits of Rs.4.77 Crores, unutilized lines of liquid fund and unencumbered cash amounting to Rs.9.05 Crores, expected drawdowns from unsecured loan amounts to Rs.18.2 Crores.

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 of 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.

Key Financials - Standalone / Originator

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	29.99	22.31
Total Income (Net of Interest Expense)	Rs. Cr.	3.83	2.85
PAT	Rs. Cr.	1.54	0.72
Networth	Rs. Cr.	8.29	6.75
Return on Average Assets (RoAA)	(%)	5.87	3.66
Return on Net Worth (RoNW)	(%)	20.43	11.25
Total Debt/Net Worth (Gearing)	Times	2.48	2.17
Gross NPA's	(%)	0.20	0.15
Net NPA's	(%)	0.04	0.14

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

None

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Sep 2020	Term Loan	Long Term	1.50	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	0.50	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	6.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.60	9.60	ACUITE BB+ Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.04	0.04	ACUITE BB+ Stable Reaffirmed
Shriram Transport Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.36	0.36	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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