

## Press Release

### Paisabuddy Finance Private Limited

March 02, 2023

### Rating Reaffirmed



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

### Rating Rationale

Acuite has reaffirmed its 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**'.

#### Rating Rationale

The rating reaffirmation factors in experienced promoter team, comfortable capitalization levels and gearing levels supported by equity infusion by existing promoters. The company's reported a Capital adequacy ratio of 38.94 percent as on December 31, 2022, 71.03 percent as on March 31, 2022 (89.42 percent as on March 31, 2021). The Capital adequacy ratio has reduced due to increase in risk weighted assets. The company has reported a loan portfolio of Rs 114.77 Cr. as on December 31, 2022, Rs 44.91 Cr. as on March 31, 2022 and Rs 24.89 Cr. as on March 31, 2021. The company's gearing stood at 0.94 times as on March 31, 2022, and 2.48 times as on March 31, 2021. The company's gearing improved due to infusion of equity of Rs 15.18 Cr. during October 2021 by converting a part of unsecured loans of Rs.14 Crore into equity. The rating also factors diversified lending profile as the company is presently banking with 2 Banks and 6 Financial institutions.

The rating is constrained due to moderate asset quality and financial performance albeit improving. The company's asset quality is marked by on time portfolio 94.33 percent as on December 31, 2022, 91.61 percent as on March 31, 2022, and 93.16 percent as on March 31, 2021. The company's GNPA (180+dpd) weakened to 1.42 percent as on March 31, 2022, from 0.20 percent as on March 31, 2021. The company reported a further improvement in GNPA (180+dpd) of 0.53 percent as on December 31, 2022. The company reported a ROAA of 2.46 percent as on September 30, 2022, compared to 1.88 percent as on March 31, 2022, and 5.87 percent as on March 31, 2021. The company's profitability reduced during FY 2021-22 due to branch expansion. The company opened 8 new branches during FY 2021-22, expanding its branch network to 11 branches as on March 31, 2022 as compared to 3 branches as on March 31, 2021. The rating is also constrained due to company's small size of operations, geographical concentration and dependency on unsecured loans.

Going forward, company's ability to raise capital and profitably scale-up its operations while maintaining its asset quality will be key monitorable.

#### 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 and healthy growth in portfolio:**

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 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 0.94 times as on March 30, 2022, compared 2.48 times as on March 31, 2021. Over the years, PFPL has expanded its operations to build an AUM of Rs. 114.77 Cr. as on December 31, 2022, from Rs. 44.90 Cr. as on March 31, 2022, and Rs. 24.84 Cr. as on March 31, 2021. The company's improvement in AUM and disbursements was on account of expansion in branch and manpower during FY2021-22.

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 albeit improving:**

The company's asset quality is marked by on time portfolio 94.33 percent as on December 31, 2022, 91.61 percent as on March 31, 2022, and 93.16 percent as on March 31, 2021. The company's GNPA (180+dpd) weakened to 1.42 percent as on March 31, 2022, from 0.20 percent as on March 31, 2021. However, the company reported further improvement in GNPA (180+dpd) of 0.53 percent as on December 31, 2022. The improvement in asset quality is on account of prudent underwriting policies. PFPL reported profitability metrics marked by PAT of Rs 0.88 Cr. during H1FY23, Rs 0.77 Cr. during FY2021-22 (Rs 1.54 Cr. during FY 2020-21). The company reported a ROAA of 2.46 percent as on September 30, 2022, compared to 1.88 percent as on March 31, 2022, and 5.87 percent as on March 31, 2021. The company's profitability reduced during FY 2021-22 due to branch and manpower expansion. However, the profitability improved during H1FY2023 due to improvement in AUM and disbursements. The company opened 8 new branches during FY 2021-22, expanding its branch network to 11 branches as on March 31, 2022, as compared to 3 branches as on March 31, 2021. Any sharp deterioration in the asset quality will adversely impact the company's profitability and will remain a key monitorable.

##### **Susceptible to inherent risks amidst relatively low seasoned portfolio**

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. 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. Relatively low seasoning of portfolio with inherent risk associated with MSME lending might result in increased asset quality pressures due to current operating environment.

Acuité believes that the company's ability to maintain its asset quality given the low seasoned loan book and increased presence in the newer geographies will remain a key rating monitorables.

### 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.

### Liquidity Position Adequate

The company reported no negative cumulative mis-matches in near to medium term as per ALM statement dated March 31, 2022. PFL's liquidity position is adequate with cash & bank balances of Rs. 10.76 Cr as on September 30, 2022. The company's collections 6 months ended during July and December 2022 were 84.31 percent of the scheduled collections.

### Outlook: Stable

Acuité believes that PFL's will maintain a 'stable' outlook for the medium term, as the credit profile will be supported by its experienced management, support from resourceful promoters' /investor base and healthy capitalisation level. The outlook may be revised to 'Positive' in case the company is able to scale up its loan book significantly while maintaining its asset quality and profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in asset quality/ profitability metrics.

### Other Factors affecting Rating

Not Applicable

### Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs Cr.	49.11	29.99
Total Income*	Rs Cr.	5.27	3.83
PAT	Rs Cr.	0.74	1.54
Networth	Rs Cr.	24.08	8.29
Return on Average Assets (ROAA)	(%)	1.88	5.87
Return on Net Worth (RoNW)	(%)	4.58	20.43
Total Debt/Tangible Net Worth (Gearing)	Times	0.94	2.48
Gross NPA's	(%)	1.43	0.20
Net NPA's	(%)	1.29	0.04

\*Total income equals to Net Interest Income plus other income

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Dec 2021	Term Loan	Long Term	0.36	ACUITE BB+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.60	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.04	ACUITE BB+   Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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