



Press Release

Disclaimer: Mr. Gauri Shankar who is a member of the Rating Committee at INFOMERICS Valuation and Ratings Pvt Ltd is also on the Board of Paisalo Digital Ltd. He did not participate in any of the discussions and processes related to the aforesaid rating and the rating note has not been circulated to him.

Paisalo Digital Limited (PDL)

July 31, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Rating Action | Complexity Indicator |
|--|---|---|------------------|------------------------|
| Long Term Bank Facilities | 2070.83 (increased from 1747.37) | IVR AA/ Stable (IVR Double A; with Stable Outlook) | Reclassification | Simple |
| Proposed Long Term Bank Facilities | 29.17 (Decreased from 352.63) | IVR AA/ Stable (IVR Double A; with Stable Outlook) | Reclassification | Simple |
| Non-Convertible Debentures (NCDs) | 182.75 (Increased from 125.00) | IVR AA/ Stable (IVR Double A; with Stable Outlook) | Reclassification | Simple |
| Proposed Non-Convertible Debentures (NCDs) | 52.25 (Decreased from 110.00) | IVR AA/ Stable (IVR Double A; with Stable Outlook) | Reclassification | Simple |
| Proposed Commercial Paper (CPs) | 408.00 (Increased from 348.00 crore) | IVR A1+ (IVR A One Plus) | Reclassification | Simple |
| Commercial Paper (CPs) | 42.00 (Decreased from 112.00) | IVR A1+ (IVR A One Plus) | Reclassification | Simple |
| Total | 2785.00 | Rupees Two Thousand Seven Hundred Eighty-Five Crore Only | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale



Press Release

As on 30 May 2024, the company has got fresh term loan sanctions of Rs 325 Crores from State Bank of India. There is also reduction in term loans due to periodic repayments. As on 26 July 2024, outstanding CPs have reduced to Rs 12.00 Crores on account of redemption on maturity. The company proposes to issue two commercial papers (CP) amounting to Rs. 30.00 crore each out of the proposed limits of Rs. 438.00 crore of CP's. Accordingly, the proposed and outstanding limits/instruments have been reclassified.

The rating continues to draw comfort from the established track record of operations and experienced management, improved scale of operations and operating profit, comfortable capitalisation and healthy asset quality. However, these strengths are partially offset by portfolio and geographic concentration risk and intense competition in the industry.

The 'Stable' outlook indicates improvement in scale of operations and profitability which likely to sustain. IVR believes PDL's will continue benefit from its operational track record in the business, healthy asset quality, comfortable capital adequacy and diversified funding profile.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in the scale of operations while maintaining healthy asset quality, comfortable capitalisation and liquidity
- Sustenance of the overall gearing

Downward Factors

- Substantial deterioration in the scale of operations, asset quality, capitalisation and/or liquidity
- Deterioration in overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



Press Release

Established track record of operations and experienced management.

Paisalo Digital Limited (PDL) commenced its business loans operations in 2006 and has a successful track record of around 18 years in the existing line of business. Overall activities of PDL are managed by ten directors with Mr. Sunil Agarwal being the Managing Director. He has experience of more than 3 decades in SME and retail financing. He is ably supported by other directors as well as by qualified and well experienced management team.

Consistent improvement in the scale of operations

On a consolidated basis, PDLs total AUM has increased to Rs 4332.09 crore in FY24 (refers to period 1st April 2023 – 31st March 2024) from Rs 3,387.03 crore on the back of improved disbursements which has increased from Rs 2,599.60 crore in FY23 to Rs 3,590.24 crore in FY24. On the back of which consolidated Net Interest Income (NII) has increased from Rs 262.08 crore in FY23 to Rs 318.91 crore in FY24. However, consolidated Profitability remained stable with Net interest margin of 9.00% for FY24 (9.13% in FY23).

Comfortable capitalisation

PDLs capitalisation remains comfortable at 35.92% for FY24 (40.43% in FY23) which is well above the minimum regulatory requirement of 15%. The consolidated tangible network has improved to Rs. 1,329.42 crore in FY24 from Rs. 1,162.54 crore in FY23 mainly due to retention of profits. The overall gearing remained comfortable at 2.00x in FY24 (1.82x in FY23).

Healthy asset quality

Given the stringent lending policies/practices coupled with well-established recovery and collection mechanism, PDL has been able to maintain healthy asset quality over the years. For FY24, Gross and net NPAs remained healthy at 0.21% and 0.02% when compared to 0.25% and 0.02% respectively for FY23. Collection efficiency of PDL stood at an average of ~95% for the last 12 months ending March 2024.

Tie-up with prominent PSU bank for co-lending of small ticket unsecured loans



Press Release

PDL has entered into co-lending arrangement with 5 Public Sector Banks as on date namely, State Bank of India, Bank of Baroda, Karnataka Bank, Punjab National Bank and UCO Bank and assignment transaction with 4 Banks namely, South Indian Bank, SBI, Central Bank of India and Bank of Baroda., wherein it would originate loans under its income generation loans extended to both individuals and under its group lending schemes, of which major share would be funded by the PSU banks and the balance would be funded by PDL. PDL would manage the loans including collections and would earn a fee on the off-book AUM. This arrangement would allow PDL to mitigate the risks associated with the unsecured lending portfolio.

Key Rating Weaknesses

Portfolio and geographic concentration risk

Around 89% of the loan book comprises business loans which are mainly chunky in nature. The company's operations are also constrained by geographical concentration risk. Around 90% of the portfolio is concentrated in two states, viz., Delhi contributing to 79.89% and Uttar Pradesh contributing to 11.11%. However, the company is taking initiatives to enhance its retail base and to spread its reach into other geographies. The company's MSME portfolio is booked in the Delhi as the underwriting process is centrally done through Delhi office because the larger ticket size component involved in the MSME category specialized staff is required to monitor the transaction. Therefore, with the operational efficiencies involved, MSME portfolio is booked in Delhi (as the booking cannot be made at the branch wise).

Intense competition in the industry

The company is exposed to intense competition from other varied sized NBFCs. The lending industry focused on NBFC financing of varied ticket size is highly fragmented with unorganized/organized lenders also relying for the same set of borrowers. However, to some extent the robust digital model and outreach created by PDL along with turnaround time delivered, enables to attract and retain customers.

Analytical Approach: Consolidated

Applicable Criteria:



Press Release

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria on consolidation of companies](#)

Liquidity: Strong

The liquidity profile of the company remains strong with no cumulative mismatches in its asset-liability management profile as on March 31, 2024. Further, PDL's has a liquidity cushion of Rs. 75.61 crore in the form of cash and cash equivalents (Rs. 10.78 crore), liquid investments (Rs. 62.28 crore) and undrawn banking lines (Rs. 2.11 crore) as on 31 March 2024. IVR does not foresee any liquidity risk in the near term, given PDL's adequate liquidity position and its ability to raise funds.

About the company

Paisalo Digital Limited (PDL) was incorporated in 1992 and is registered with RBI as a non-deposit taking NBFC. The company provides business loans to SMEs/corporates and income generation loans to individuals. Mr. Sunil Agarwal, the founder promoter of the company, continues to be the Managing director of the company since inception. The company is listed on Bombay Stock Exchange and National Stock Exchange.

Financials (Consolidated)*:

Rs in Crores

| For the year ended/As on* | 31-03-2023 | 31-03-2024 |
|---------------------------|------------|------------|
| | (Audited) | (Audited) |
| Total Income | 473.19 | 658.75 |
| PAT | 93.62 | 178.97 |



Press Release

| | | |
|---------------------------|---------|---------|
| Assets Under Management | 3387.03 | 4332.09 |
| Tangible Net worth | 1162.54 | 1329.42 |
| Total debt | 2117.19 | 2655.40 |
| Ratios | | |
| NIM (%) | 9.13 | 9.00 |
| Overall Gearing (Times) | 1.82 | 2.00 |
| Total CRAR (%) | 40.34 | 35.92 |
| Gross NPA (%) | 0.25 | 0.21 |
| Net NPA (%) | 0.02 | 0.02 |
| Interest coverage (Times) | 1.62 | 1.89 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Provided above

Rating History for last three years:

| Sr. No. | Type of Facilities/Instrument | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | | |
|---------|-------------------------------------|--------------------------------|--------------------------------|---------------|--|---|--|--|
| | | Tenure | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 (15 Sept 2023) | Date(s) & Rating(s) assigned in 2022-23 (28 March 2023) | Date(s) & Rating(s) assigned in 2021-22 (26 August 2021) | Date(s) & Rating(s) assigned in 2020-21 (26 August 2020) |
| 1. | Fund Based-Bank Facilities | Long Term | 2070.83 | IVR AA/Stable | IVR AA/Stable | IVR AA-/Stable | IVR AA-/Stable | IVR A+/Stable |
| 2. | Fund Based-Proposed Bank Facilities | Long Term | 29.17 | IVR AA/Stable | IVR AA/Stable | IVRAA-/Stable | IVRAA-/Stable | IVRA+/Stable |
| 3. | NCD | Long Term | 182.75 | IVR AA/Stable | IVR AA/Stable | IVRAA-/Stable | IVRAA-/Stable | IVRA+/Stable |
| 4. | NCD | Long Term | 52.25 | IVR AA/Stable | IVR AA/Stable | IVRAA-/Stable | IVRAA-/Stable | IVRA+/Stable |
| 5. | CP | Short Term | 42.00 | IVR A1+ | IVR A1+ | IVR A1+ | - | - |



Press Release

| Sr. No. | Type of Facilities/Instrument | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | | |
|---------|-------------------------------|--------------------------------|--------------------------------|---------|--|---|--|--|
| | | Tenure | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 (15 Sept 2023) | Date(s) & Rating(s) assigned in 2022-23 (28 March 2023) | Date(s) & Rating(s) assigned in 2021-22 (26 August 2021) | Date(s) & Rating(s) assigned in 2020-21 (26 August 2020) |
| 6. | Proposed CP | Short Term | 408.00 | IVR A1+ | IVR A1+ | - | - | - |

Analytical Contacts:

Name: Amey Joshi

Tel: (022) – 6239 6023

Email: amey.joshi@infomerics.com

Name: Sree Harsha

Tel: (022) – 6239 6023

Email: sree.harsha@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time.



Press Release

Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

| Name of Facility/Instrument | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|-----------------------------|--------------------|------------------|--------------------|------------------------------|--------------------------|
| Cash Credit/WCDL | - | - | - | 599.50 | IVR AA/Stable |
| Term Loans | - | - | Upto May 2029 | 1471.33 | IVR AA/Stable |
| Proposed Term Loan | - | - | - | 29.17 | IVR AA/Stable |
| CP (ISIN: INE420C14052) | December 20, 2023 | 10.00% p.a. | September 13, 2024 | 12.00 | IVR A1+ |
| CP (ISIN: INE420C14086) | May 17, 2024 | 11.00% p.a. | August 16, 2024 | 30.00 | IVR A1+ |
| Proposed CP | TBD | 11.00% | TBD | 30.00 | IVR A1+ |
| Proposed CP | TBD | 11.00% | TBD | 30.00 | IVR A1+ |
| Proposed CP | - | - | - | 348.00 | IVR A1+ |
| NCD (ISIN: INE420C07056) | November 16, 2023 | 9.95% p.a. | November 15, 2026 | 10.00 | IVR AA/Stable |
| NCD (ISIN: INE420C07049) | September 27, 2023 | 9.95% p.a. | September 26, 2026 | 50.00 | IVR AA/Stable |
| NCD (ISIN: INE420C07064) | December 15, 2023 | 9.95% p.a. | December 15, 2033 | 19.70 | IVR AA/Stable |



Press Release

| | | | | | |
|--------------------------------|-------------------|------------|-------------------|----------------|---------------|
| NCD (ISIN: INE420C07072) | December 28, 2023 | 9.95% p.a. | June 28, 2025 | 18.00 | IVR AA/Stable |
| NCD (ISIN: INE420C07080) | January 18, 2024 | 9.95% p.a. | January 17, 2034 | 19.71 | IVR AA/Stable |
| NCD (ISIN: INE420C07098) | February 27, 2024 | 9.95% p.a. | February 24, 2034 | 20.34 | IVR AA/Stable |
| NCD (ISIN: INE420C07106) | April 12, 2024 | 9.95% p.a. | October 10, 2025 | 18.00 | IVR AA/Stable |
| NCD (ISIN: INE420C07114) | May 05, 2024 | 9.95% p.a. | May 05, 2029 | 27.00 | IVR AA/Stable |
| Proposed NCD | - | - | - | 52.25 | IVR AA/Stable |
| Total | | | | 2785.00 | |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Paisalo-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: The covenants mentioned below are applicable to all NCDs rated by IVR

| Name of Instrument | Non-Convertible Debentures |
|--------------------------------|---|
| Financial Covenants | -CAR shall be above 15% -NPA lower than 5% -Total debt/TNW not exceed level of 5x |
| Rating Covenants | -If at any time during the tenor of the debentures, the rating of the Issuer's bank facilities/other instruments is downgraded below AA-, the coupon rate shall be increased by 25 basis points for every one notch downgrade. Such coupon is applicable from the date of such downgrade until such event is cured on the outstanding principal and accrued interest. |
| Non-Financial Covenants | -Debentures shall be secured by continuing security by way of an exclusive charge up to extent of 1.10x of principal amount of Debentures outstanding (Security cover) on standard/hypothecated receivable in favour of the Debenture trustee for the benefit of debenture holders -The record date shall be 7 calendar days prior to each coupon payment date/ redemption date. -Quarterly reports on book debts on which charge has been created to be submitted after end of each quarter. |

Draft terms for proposed Commercial paper issue:



Press Release

| | |
|--|-------------------------|
| Issuer | Paisalo Digital Limited |
| Investor | TBD |
| IPA | IDBI Bank Limited |
| Expected Deal/Issue Date | TBD |
| Amount (Rs. Crore) | Upto 450 crore |
| Tenure | Upto 364 days |
| Coupon Payment | On maturity |
| Expected Yield Rate (% p.a.) (Disc) | 11 |
| Depository Participant | NSDL |
| Expected CP Maturity (Date) | TBD |
| Financial Covenants | Not Applicable |
| Rating Covenants | Not Applicable |

Draft Term sheet for proposed NCDs of Rs 52.25 crore.

| Particulars | Comment |
|---|--|
| Name of Issuer | Paisalo Digital Limited |
| Issue Amount (Rs. Crore) | 52.25 |
| Coupon Rate p.a. (Tentative)-% | 9.95% |
| Purpose of NCD | Onward lending |
| Frequency of Coupon Payment (Monthly/Quarterly/Half Yearly) | Quarterly |
| Tenor of NCD (24/36/48/60 Months) with put/call option | 36 months with no put/call option |
| Redemption of NCD (Bullet/2 or 3 Instalments) | Bullet |
| Financial Covenant | -CAR shall be above 25% -NPA to be lower than 5% -Total debt/TNW not exceed level of 5x |
| Non-Financial Covenant | -Debentures shall be secured by continuing security by way of an exclusive charge up to extent of 1.10x of principal amount of Debentures outstanding (Security cover) on standard/hypothecated receivable in favor of the Debenture trustee for the benefit of debenture holders -The record date shall be 7 calendar days prior to each coupon payment date/redemption date. -Quarterly reports on book debts on which charge has been created to be submitted |



Press Release

| | |
|-----------------|--|
| | after end of each quarter. |
| Rating Covenant | -If at any time during the tenor of the debentures, the rating of the Issuer's bank facilities/other instruments is downgraded below AA-, the coupon rate shall be increased by 25 basis points for every one notch downgrade Such coupon is applicable from the date of such downgrade until such event is cured on the outstanding principal and accrued interest. |

Annexure 4: List of companies considered for consolidated/Combined analysis:

| Name of Company | Extent of Consolidation |
|--------------------------------------|-------------------------|
| Paisalo Digital Limited (PDL) | Full |
| Nupur Finvest Private Limited (NFPL) | Full |

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.