



## Press Release

### Paisalo Digital Limited (PDL)

August 26, 2021

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	758.12 (Reduced from INR759.75)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Revised
2.	Long Term Fund Based Facility- Term Loan	31.68 (Reduced from INR39 Crore)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Revised
3.	Non-Convertible Debentures (SERIES - 07-2020)*	50.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Revised
4.	Non-Convertible Debentures (SERIES 08-2020)*	20.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Assigned
5.	Non-Convertible Debentures (SERIES 11-2020)*	16.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Assigned
6.	Proposed Long Term Facility	370.20 (Increased from INR91.25)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Revised
7.	Proposed Non-Convertible Debentures	29.00 (Reduced from INR50.00)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Revised
	<b>Total</b>	<b>1275.00</b>		

\*Details in Annexure 4

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the rating factors group's overall improvement in operational & financial parameters in FY21 along with satisfactory performance in Q1FY22.

Further, The rating continues to derive comfort from long track record of operations, experienced promoters and management group, comfortable capital structure, increase in institutional holdings, tie-ups with prominent PSU bank for co-origination of small ticket



## Press Release

unsecured loans, healthy asset quality and range bound profitability. However, the rating strengths are partially offset by high concentration risk and uncertainty involved with on-going COVID-19 global pandemic.

### **Key Rating Sensitivities:**

- **Upward Factor**
  - Substantial & sustained scaling up of its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability on a consolidated basis.
- **Downward Factor**
  - Significant deterioration in scale of operations, asset quality and/or capitalization levels on a consolidated basis.

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### ***Long track record of operations***

Paisalo Group has long track record of operations of over two decades with Mr. Sunil Agarwal managing the affairs of the company since inception. The group was into vehicle financing earlier; however, since 2000, it has been providing business loans to SME/corporates and since 2006, Income Generation Loans to individuals. PDL launched the product, Loan against Property from 2013 and Income Generation Loans under Joint Lending Scheme since January 2017.

##### ***Experienced promoters and Management***

Mr. Sunil Agarwal, the Managing Director of the company, possesses rich experience of ~30 years in the SME and retail financing business. He is supported by Mr. Harish Singh, the Executive Director of the company, and a team of qualified & experienced professionals. Mr. Harish Singh is a Chartered Accountant and MBA with over two decades of experience in the financial sector.



## Press Release

### ***Comfortable capital structure***

The group has maintained a healthy capital adequacy ratio (CAR) over the years, being well above the RBI's stipulated norm of 15%. As on March 31, 2021 CAR stands comfortable at 44.47% (FY20:41.67%) with Tier I CAR being 37.08% (37.18%). The overall CAR has increased Y-o-Y basis with increase in business operations which reflects infusion of required capital along with rational utilisation of the existing capital. Overall capital structure provides considerable leeway to the group to raise funds to support business growth, going forward. The group's healthy CAR is reflected in its overall gearing ratio which was comfortable at 1.53x as on March 31, 2021.

### ***Increase in Institutional holding in last one year***

The overall stake in PDL of FIIs and DIIs has increased in last 12 months which reflects the confidence of the shareholders. Overall FIIs increased to 30 investors in Q1FY22 from 20 investors in FY20. SBI Life Insurance Company has acquired a total of 38,00,000 equity shares equivalent to 8.99 per cent at Rs 489.99 per share for a cash consideration as an ordinary course of business on the stock exchange on December 24, 2021. The stake increased to almost ~14% as on March 31, 2021.

### ***Tie-up with prominent PSU bank for co-origination of small ticket unsecured loans***

PDL has entered into an arrangement with a prominent PSU bank, 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 bank and the balance would be funded by PDL. PDL would manage the loan 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. The overall share of this portfolio has also increased to 2.14% in FY21 from 1.34% in FY20. As per the PDL, State Bank of India has signed its first Co-lending arrangement (Priority Sector Loan Agreement) with PDL in FY19. Overall as on date the company has co-lending arrangement with 6 Public Sector Banks namely viz. State Bank of India, Union Bank, Central Bank of India, Bank of India, Bank of Naroda, Bank of Maharashtra and securitisation transaction with 4 Public Sector Banks namely viz. South Indian Bank, Central Bank of India, SBI and Bank of Baroda.



## Press Release

### ***Healthy asset quality***

The group primarily lends business loans to SME/corporates which are relatively more susceptible to economic slowdown. However, the credit risk under the business loan segment is mitigated to some extent because of collateral back-up in the form of residential/commercial property. PDL has a policy to write off loans that are considered irrecoverable (however part recoveries are available each year), while the remaining NPAs are recognised as per the RBI guidelines and provided for (being systematically important NBFC-90 days criteria). The GNPA's and NNPA's as on March 31, 2021 stood at 0.72% and 0.56%, respectively, the marginal decline is due to covid related headwinds however the company has strategically maintained its portfolio. The total write-offs in FY21 stood at 1.83% and in FY20 at 3.79%. The average collection efficiency of the company stands at ~96% for FY21.

### ***Range-bound profitability Margins***

The group primarily extends business loans to SME/corporates and income generation loans to individuals, yielding higher return. This has helped the company in earning healthy profitability margins. The group's Net Interest Margin (NIM) has been above 9.00% for the past three fiscals ended FY21. Healthy NIM coupled with containment of operating expenses have helped the group to report higher Return on Total Assets, being in the range of 2.50% to 3.50% during the past three fiscals years ended FY21. Further, overall operating income of the group has declined in FY21 as compared to FY20 due to covid-19 related headwinds and stood at INR346.02 Crore in FY21 and INR374.77 Crore in FY20. However, overall PAT margin has increased to 16.55% in FY21 (FY20:14.19%). The company's Q1FY22 performance has also shown growth in its top line and bottom line as compared to previous year's corresponding quarter.

### **Key Rating Weaknesses**

#### ***High concentration risk***

Around 98.70% 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 95.45% of the portfolio is concentrated in northern region (Delhi – 87.50%, U.P –



## Press Release

7.95%, Rajasthan – 2.50%). 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 UT of Delhi as the underwriting process is centrally done through Delhi office, however the exposure is diversified in 2125 postal pin-codes at PAN India level with 129 branches as on Q1FY22 because being 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).

### ***Uncertainty involved with COVID-19 global pandemic:***

Global pandemic has contributed to a significant decline and volatility in global & Indian markets and a significant decrease in economic activity. The group's businesses might get impacted by lower lending opportunities and decline in collection efficiencies as the uncertainties remains. However, the company's capital & liquidity position remains strong.

### **Analytical Approach Applicable Criteria:**

Consolidated Approach

For arriving at the rating, Infomerics has taken the consolidated approach of Paisalo Digital Limited (PDL) and its wholly owned subsidiary, Nupur Finvest Private Limited (NFPL) collectively known as Paisalo group. Moreover, PDL has given corporate guarantee for bank facilities of NFPL.

### **Applicable Criteria:**

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

### **Liquidity: Adequate**

Paisalo group has adequate liquidity position on the back of its balanced asset–liability maturity profile. While the loan book has an average tenure of 24 months, the company's borrowings are primarily fund based working capital; from various banks, being virtually long-term in nature. The group's average utilisation of fund based working capital facilities during



## Press Release

twelve months ended June 2021 was high at around ~96%. However, given the comfortable capital structure, PDL has enough headroom to raise additional debt to fund its business growth. Furthermore, the NCDs issued carry comfortable interest rate within the range of 9.5%-10.5%. The group has adequate cash and cash equivalents to the tune of INR47.78 Crore (Includes restricted fixed deposit of INR 33.60 Crore) as on March 31, 2021

### About the Company

Incorporated in 1992, PDL is registered with RBI as a non-deposit taking NBFC. The shares of PDL are listed on both BSE and NSE. Mr. Sunil Agarwal, the founder promoter of the company, continues to be the Managing director of the company since inception. PDL primarily extends business loans to SME/corporates and income generation loans to individuals.

### Financials: Consolidated

(Rs. Crore)

For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Operating income	374.77	346.02
Interest Expenses	156.55	161.95
PAT	53.20	57.28
Total Debt	1,237.09	1,321.57
Tangible Net Worth	762.29	863.01
Total Loan Assets	2,163.27	2,335.31
<b>Ratios (%)</b>		
PAT Margin (%)	14.19	16.55
Overall Gearing Ratio (x)	1.62	1.53
Total CAR (%)	41.67%	44.47%
Gross NPA (%)	0.44%	0.72%
Net NPA (%)	0.34%	0.56%

\*Classification as per Infomerics' standards



## Press Release

### Financials: Standalone

(Rs. Crore)

For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Operating income	337.45	311.5
Interest Expenses	133.57	143.76
PAT	52.94	56.82
Total Debt	1,070.13	1,185.96
Tangible Net Worth	750.24	850.89
Total Loan Assets	1,716.00	1,903.31
<b>Ratios (%)</b>		
PAT Margin (%)	15.69	18.24
Overall Gearing Ratio (x)	1.42	1.39
Total CAR (%)	43.06	44.47
Gross NPA (%)	0.44	0.72
Net NPA (%)	0.34	0.56

\*Classification as per Infomerics' standards

During Q1FY22, the company has reported an operating income of ~INR92.00 Crore at consolidated level.

### Status of non-cooperation with previous CRA: N.A

**Any other information:** Mr. Gauri Shankar who is a member of the Rating Committee of INFOMERICS is on the Board of Paisalo Digital Limited (hence, in accordance with the compliance norms he has not participated in any of the discussions and processes related to the aforesaid ratings)

### Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (August 26, 2020)	Date(s) & Rating(s) assigned in 2019-20 (February 22, 2020)	Date(s) & Rating(s) assigned in 2019-20 (July 5, 2019)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Cash Credit	Long Term	758.12	IVR AA- /Stable Outlook (IVR	IVR A+ /Stable Outlook	IVR A/ Positive Outlook	IVR A/ Positive Outlook (IVR	--



## Press Release

				Double A Minus with Stable Outlook)	(IVR Single A Plus with Stable Outlook)	(IVR Single A with Positive Outlook)	Single A with Positive Outlook)	
2.	Long Term Fund Based Facility-Term Loan	Long Term	31.68	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	IVR A+/Stable Outlook (IVR Single A Plus with Stable Outlook)	--	--	--
3.	Non-Convertible Debentures (SERIES -07-2020)*	Long Term	50.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	IVR A+/Stable Outlook (IVR Single A Plus with Stable Outlook)	--	--	--
4.	Non-Convertible Debentures (SERIES 08-2020)*	Long Term	20.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	--	--	--	--
5.	Non-Convertible Debentures (SERIES 11-2020)*	Long Term	16.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	--	--	--	--
6.	Proposed Long Term Facility	Long Term	370.20	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	IVR A+/Stable Outlook (IVR Single A Plus with Stable Outlook)	IVR A/ Positive Outlook (IVR Single A with Positive Outlook)	IVR A/ Positive Outlook (IVR Single A with Positive Outlook)	--
7.	Proposed Non-Convertible	Long Term	29.00	IVR AA-/Stable	IVR A+/Stable	IVR A/ Positive	--	--





## Press Release

Debtentures			Outlook (IVR Double A Minus with Stable Outlook)	Outlook (IVR Single A Plus with Stable Outlook)	Outlook (IVR Single A with Positive Outlook)		
-------------	--	--	--	---	--	--	--

### Name and Contact Details of the Rating Team:

Name: Jayshree Purohit

Tel: (022) 62396023

Email: [jpurohit@infomerics.com](mailto:jpurohit@infomerics.com)

Name: Amit Bhuwania

Tel: (022) 62396023

Email: [abhuwania@infomerics.com](mailto:abhuwania@infomerics.com)

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**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, suspend or withdraw the credit ratings at any point in time. 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: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	758.12	IVR AA-/Stable Outlook



## Press Release

Term Loan	--	--	Up to November, 2024	31.68	IVR AA-/Stable Outlook
Non-Convertible Debentures (SERIES -07-2020)	--	--	Up to April 21, 2023	50.00	IVR AA-/Stable Outlook
Non-Convertible Debentures (SERIES 08-2020)	--	--	Up to February 25, 2022	20.00	IVR AA-/Stable Outlook
Non-Convertible Debentures (SERIES 11-2020)	--	--	Up to May 9, 2022	16.00	IVR AA-/Stable Outlook
Proposed Long Term Facility	--	--	--	370.20	IVR AA-/Stable Outlook
Proposed Non-Convertible Debentures	--	--	--	29.00	IVR AA-/Stable Outlook

### Annexure 2: List of companies considered for consolidated analysis.

Name of the company	Consolidation Approach
Paisalo Digital Limited	Full Consolidation
Nupur Finvest Private Limited	Full Consolidation

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-paisalo-26-2-21.pdf>

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

#### SERIES -07-2020

<b>Name of Trustee</b>	<b>IDBI Trusteeship Services Limited</b>
<b>Instrument Description</b>	10.50% Secured Rated Listed Taxable Bonds In The Nature Of Debentures. Series -07-2020. Date Of Maturity 21/04/2023
<b>Issue Size</b>	INR50 Crore
<b>ISIN No</b>	INE420C07015
<b>Date of Allotment</b>	16-Jul-2020
<b>Financial Covenants</b>	
<b>Redemption Date</b>	21-Apr-2023
<b>Coupon Rate</b>	10.50%
<b>Coupon Repayment timeline</b>	Payable Quarterly On 16/10/2020,16/01/2021 And So On Till Maturity.



## Press Release

Non – Financial Covenants	
Objective/Purpose of the Issue	Onward lending

### SERIES 08-2020

Name of Trustee	IDBI Trusteeship Services Limited
Instrument Description	9.50% Secured Rated Listed Redeemable Non Convertible Debentures. Series 08-2020. Date Of Maturity 25/02/2022
Issue Size	INR20.00 Crore
ISIN No	INE420C07023
Date of Allotment	26-Aug-2020
Financial Covenants	
Redemption Date	25-Feb-2022
Coupon Rate	9.50%
Coupon Repayment timeline	Payable Annually As Per The Dates Are 26/08/2021 And 25/02/2022.
Non – Financial Covenants	
Objective/Purpose of the Issue	Onward Lending

### SERIES 11-2020

Name of Trustee	IDBI Trusteeship Services Limited
Instrument Description	10.50% Secured Rated Listed Redeemable Non Convertible Debentures. Series 11-2020. Date Of Maturity 09/05/2022
Issue Size	INR16.00 Crore
ISIN No	INE420C07031
Date of Allotment	10-Nov-2020
Financial Covenants	
Redemption Date	09-May-2022
Coupon Rate	10.50%
Coupon Repayment timeline	Payable Quarterly As Per The Dates Are 10/02/2021,10/05/2021 To Till Maturity.
Non-Financial Covenants	
Objective/Purpose of the Issue	Onward Lending

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Cash Credit	Simple
2	Term Loan	Simple
3	Non-Convertible Debentures	Simple



## Press Release