



Press Release

Pink City Fincap Private Limited (PCFPL)

Dec 18, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facilities – Term Loan	9.02	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Long Term Fund Based Bank Facilities – Term Loan (Proposed)	0.98	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Total	10.00 (Rupees Ten 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

Infomerics Ratings has assigned its ratings to the bank facilities of PCFPL as it derives strength from experienced promoters & management, comfortable capitalisation and healthy asset quality. However, the ratings are partially constrained by moderate scale of operations given regional concentration and inherent risks associated with NBFCs coupled with intense competition.

Infomerics Ratings expects outlook to remain stable on back of stable growth in AUM levels and improvement in overall profitability while maintaining capitalisation as well as asset quality levels.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in scale of operations while maintaining healthy profitability, asset quality and comfortable capitalisation.

Downward Factors

- Lower than expected growth in AUM and/or decline in liquidity and capitalization.
- Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost and impacts the profitability of PCFPL.

List of Key Rating Drivers with Detailed Description:

Key Rating Strengths:

- **Comfortable capitalization:**

PCFPL is comfortably capitalized with total CRAR of 47.52% as on 30th September 2024 (As on 31st March 2023: 37.23%; As on 31st March 2024: 53.69%) . Additionally, PCFPL's adjusted tangible net worth stood at healthy Rs. 111.30 crore as on 31st March 2024 supported by infusion of subordinated unsecured loans from the promoters. Infomerics Ratings expects capitalization levels to remain comfortable amidst the AUM growth on the back of expected capital infusion by the promoters in FY25.

- **Healthy asset quality**

Given that the secure nature of lending and stringent lending policies and process coupled with efficient collection and recovery mechanism, PCFPL has been able to maintain healthy asset quality. GNPA and NNPA stood at at 0.45% & 0.36% respectively as on 30th September 2024 (31st March 2024: 0.53% and 0.48%, 31st March 2023: 0.64% and 0.64%). The same is reflected in H1FY25 numbers with GNPA and NNPA. Going forward, PCFPL's ability to maintain healthy asset quality amidst growth in AUM levels will remain key rating monitorable.



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- **Experienced promoters and management**

PCFPL is promoted by Mr. Babu Lal who is the managing director and CEO of the company and has extensive experience in the BFSI sector. He is taking care of day-to-day operations. He has infused unsecured loans of Rs 92.02 crore in PCFPL during FY24 (period refers from 01st April 2023 to 31st March 2024) . He is supported by a team of qualified and experienced management.

Key Rating Weaknesses:

- **Moderate scale of operations given regional concentration**

PCFPL's operations are regionally concentrated with Rajasthan contributing to ~96% of total loan portfolio despite PCFPL's presence in Gujarat, Maharashtra and Uttar Pradesh. Hence, the scale of operations remains moderate with an AUM (On Book AUM: Rs. 146.40 crore; Off Book AUM: Rs. 41.95 crore) of Rs 240.09 crore as on 30 September 2024 (FY23: Rs. 89.99 crore; FY24: Rs. 188.35 crore). The ability of the company to diversify regionally and grow its AUM will be a key rating monitorable.

- **Inherent risks associated with NBFCs coupled with intense competition.**

PCFPL product diversification remains low with the concentration primarily being in the vehicle loan and LAP segment. Lending to the marginal borrower profile and the political and operational risks associated with vehicle loans and LAP loans may result in high volatility in the asset quality indicators. The NBFC industry is prone to socio-political and operational risks, which could negatively impact the company's operations and thus its financial position as has been seen during the pandemic and demonetization coupled with severe competition by other NBFCs and Banks.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

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



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[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

ALM profile of PCFPL as on June 30, 2024, was comfortable with no negative cumulative mismatches up to 5 years bucket since majority of the loan portfolio has been funded through tangible net worth and own funds of the promoter group. The collection efficiency has also remained strong with around 98% average collection efficiency during September 2023 to August 2024. Further, PCFPL has free cash and bank balance (including liquid investments) of Rs. 4.03 crore as on 30th June 2024.

About the Company:

PCFPL, incorporated in 1996, is a Jaipur based finance company registered under the Reserve Bank of India as a non-banking financing company (NBFC) providing financial services like Commercial Vehicle Loan, Tractor Loan, Loan against Property, SME loan and Personal Loan.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	6.21	14.37
PAT	0.74	3.68
Book Tangible Net worth	16.75	39.30
Adjusted Tangible Net Worth	88.01	111.30
Total Loan Assets (including off book)	89.99	188.35
Ratios		
NIM (%)	7.32	9.42
ROTA (%)	0.91	3.19
Interest Coverage (times)	8.48	3.52
Total CRAR (%)	37.23	53.69
Gross NPA [Stage III] (%)	0.64	0.53
Net NPA [Stage III] (%)	0.64	0.48

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None



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Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024 -25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
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1.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	9.02	IVR BBB- / Stable	--	--	--
2.	Long Term Fund Based Bank Facilities – Term Loan (Proposed)	Long Term	0.98	IVR BBB- / Stable	--	--	--

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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.



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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	-	-	-	July 2026	9.02	IVR BBB- / Stable
Long Term Fund Based Bank Facilities – Term Loan (Proposed)	-	-	-	-	0.98	IVR BBB- / Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-PCFPL-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Name of the company/Entity	Consolidation/Combined Approach

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.