



Press Release

Prachay Capital Private Limited (PCPL)

June 17, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities - Term Loan	21.00 (Enhanced from 8.75)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities - Cash Credit	12.50	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities - Proposed Term Loan	41.50 (Enhanced from 26.75)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	75.00				

Details of facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation of Prachay Capital Private Limited (PCPL) continues to derive comfort from experienced management team and adequate internal control systems, good asset quality and growing secured loan portfolio and moderate capitalisation metrics and improved scale of operations. However, these rating strengths remain constrained by higher dependence on one asset segment, geographic concentration risk and competitive nature of industry.



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Key Rating Sensitivities:

Upward Factor:

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.

Downward Factor:

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.
- Increase in delinquencies.
- Deterioration in CRAR.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management team and adequate internal control systems:

The promoter of the company is Mr. Girish Lakhotiya who has more than 10 years of experience in the financial services industry, he is the part of the investment company at PCPL and all the loan proposals and security for the loans are personally verified by him. Mr Roshan Sancheti has over 8 years of experience in financial services and capital advisory industry, he is part of the credit committee at PCPL and looks after the in-depth analysis of loan proposals at the company. PCPL has setup adequate credit appraisal, risk management and portfolio monitoring systems. The internal control and monitoring systems are expected to strengthen as the company grows in stature.

Good asset quality and growing secured loan portfolio:

PCPL has reported NIL NPAs for its three years under operation. They have a stringent credit evaluation process wherein the promoters are actively involved. Their loan portfolio majorly consists of real estate entities and all loans extended are secured by a security cover of up-to 2x the loan amount.

Moderate capitalisation metrics and improved scale of operations



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PCPL has a moderate but growing capital structure indicated by an improved tangible net worth of Rs.37.54 crore in FY22 which has increased from Rs.19.81 crore in FY19, owing to capital infusion by the promoters and profits being re-invested in the business. PCPL's capital adequacy ratio (CAR) was 33.22% in FY22, as against 35.54% in FY21. The drop was mainly due to the growth in lending portfolio. It is still well above the minimum regulatory requirement of 15%. The company's total operating income has increased from Rs.4.60 Crore in FY19 to Rs.22.01 Crore in FY22. The Net Interest Income has improved from Rs.2.09 Crore in FY19 to Rs. 10.85 Crore in FY22. The company posted a net profit of Rs.7.02 crore in FY22.

Key Rating Weaknesses

Higher dependence on one asset segment

PCPL has been lending loans to real estate developers, more than 90% of their loan portfolio consist of real asset related entities. The dependence on asset segment is deemed riskier as any unexpected changes in the market or regulatory dynamics could impact the earnings performance of the company.

Geographical concentration risk

PCPL's operations are concentrated majorly in the state of Maharashtra. One state concentration exposes the PCPL to high geographical concentration risk. The company has presence particularly in the Pune city.

Competitive nature of industry

PCPL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, PCPL's professional management and focused approach towards gold loan lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone

Applicable Criteria:

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

[Criteria on assigning rating Outlook](#)



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Liquidity - Adequate

Considering the scale of operations as on March 31st, 2022, the company is well capitalized with a CAR (%) of 33.22% as on March 31, 2022. Also, it has adequately matched asset liability profile as on March 31, 2022. Company's working capital utilization remained moderate at 75.42% for the last twelve months period ended April, 2022.

About the Company

Prachay Capital Private Limited (PCPL) established in the year 2017, previously known as Pracay Financial Services Private Limited; is a registered nonbanking financial company that caters secured short and medium-term funding to small regional businesses (majorly real estate developers). The company is mainly focussed on extending financial assistance to those, depending on customers' needs, who find it difficult to get funds from the normal banking channel. The company provides business loans to MSMEs/SMEs primarily last mile funding and inventory funding. The clients are sourced through both Direct Sales Agents (DSAs) and in-house sales teams mainly within Pune. The company provides secured lending with a minimum hard security coverage of 2 times.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Audited
Total Income	16.46	22.01
Interest	5.88	8.64
PAT	6.40	7.02
Total Debt	73.01	102.69
Tangible Networth	30.46	37.54
Total Loan Assets	101.58	135.33
Overall Gearing Ratio (x)	2.40	2.74
Gross NPA (%)	0.00	0.00
Net NPA (%)	0.00	0.00
CAR (%)	35.73	32.85

* Classification as per Infomerics' standards



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Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: September 15, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Dated: March 17, 2021)	Date(s) & Rating(s) assigned in 2019-20 (Dated: January 06, 2020)
1.	Fund Based Bank Facilities – Term Loans	Long Term	21.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ ISSUER NOT COOPERATING	IVR BB+/ Stable
2.	Fund Based Bank Facilities – Cash Credit	Long Term	12.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ ISSUER NOT COOPERATING	IVR BB+/ Stable
3.	Fund Based Bank Facilities – Proposed Term Loan	Long Term	41.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ ISSUER NOT COOPERATING	IVR BB+/ Stable

Name and Contact Details of the Rating Analysts:-

Name: Mr. Hardik Gala Tel: (022) 62396023 Email: hardik.gala@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility - Term Loans	-	-	Upto February 2028	21.00	IVR BBB-/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	12.50	IVR BBB-/ Stable
Long Term Fund Based Facility – Proposed Term Loans	-	-	-	41.50	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Prachay-Capital-june22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.