



Press Release

Prachay Capital Private Limited (PCPL)

March 27, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loans	16.46 (Reduced from 21.00)	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed and outlook revised to Positive	Simple
Long Term Fund Based Bank Facilities – Cash Credit	12.50	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed and outlook revised to Positive	Simple
Long Term Fund Based Bank Facilities – Dropline OD	10.00	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Proposed	36.04 (Reduced from 41.50)	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed and outlook revised to Positive	Simple
Total	75.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating outlook to positive considers the company receiving series A funding of Rs.5.10 crore which will lead to healthy growth in AUM and scale of operations. The rating also continues to take comfort from experienced management team & adequate internal control systems, good asset quality & growing secured loan portfolio, moderate capitalisation metrics & improved scale of operations. However, these rating strengths remain constrained by higher dependence on one asset segment, geographical concentration risk and competitive nature of industry.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors



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- 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.

List of Key Rating Drivers with Detailed Description

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 more than five 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

PCPL has a moderate but growing capital structure indicated by an improved tangible net worth of Rs.48.85 crore in 9MFY23 which has increased from Rs.30.46 crore in FY21, as company received series A funding in October 2022 and profits being re-invested in the business. PCPL's capital adequacy ratio (CAR) improved to 39.45% in 9MFY23, as against 35.86% in FY21. 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.



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Key Rating Weaknesses

Higher dependence on one asset segment

PCPL has been lending loans to real estate developers, more than 70% 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 lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone Approach

Applicable Criteria:

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

[Criteria on Rating Outlook](#)

Liquidity – Adequate

Considering the scale of operations as on December 31st, 2022, the company is well capitalized with a CAR (%) of 39.45%. Also, it has adequately matched asset liability profile as on December 31, 2022. Company's working capital utilization remained comfortable at ~56.58% for the last twelve months period ended December 2022.



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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 Expenses	5.88	8.64
PAT	6.40	7.02
Total Debt	73.01	102.69
Tangible Net Worth	30.46	37.54
Total Loan Assets	101.58	134.78
Overall Gearing Ratio (x)	2.38	2.74
Gross NPA (%)	0.00	0.00
Net NPA (%)	0.00	0.00
CAR (%)	35.86	32.59

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:



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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 2022-23 (Dated: June 17, 2022)	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	16.46	IVR BBB-/ Positive	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-/ Positive	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ ISSUER NOT COOPERATING	IVR BB+/ Stable
3.	Fund Based Bank Facilities – Proposed	Long Term	36.04	IVR BBB-/ Positive	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ ISSUER NOT COOPERATING	IVR BB+/ Stable
4.	Fund Based Bank Facilities – Dropline OD	Long Term	10.00	IVR BBB-/ Positive	-	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information 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, 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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Upto February 2028	16.46	IVR BBB-/ Positive
Cash Credit	-	-	-	12.50	IVR BBB-/ Positive
Dropline OD	-	-	-	10.00	IVR BBB-/ Positive
Proposed	-	-	-	36.04	IVR BBB-/ Positive

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-PrachayCapital-mar23.pdf>



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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.

