



Press Release

Paisalo Digital Limited (PDL)

March 28, 2023

Ratings

Instruments	Amount (INR. Crore)	Current Ratings	Rating Action	Complexity Indicator
Proposed Commercial Paper Programme	150.00	IVR A1+ (IVR A One Plus)	Assigned	Simple
Long Term Fund Based Facility – Cash Credit	855.00 (Reduced from 905.00)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Facility- Term Loan	412.72 (Increased from 155.29)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Reaffirmed	Simple
Non-Convertible Debentures (SERIES - 07-2020)	50.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term Facility	682.28 (Decreased from 739.71)	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Reaffirmed	Simple
Proposed Non-Convertible Debentures	65.00	IVR AA-/Stable Outlook (IVR Double A Minus with Stable Outlook)	Reaffirmed	Simple
Total	2215.00	INR Two Thousand Two hundred Fifteen Crores Only		

Details of instruments are in Annexure 1

Detailed Rationale

The rating assignment/reaffirmation to the proposed commercial paper programme, bank facilities and Non-Convertible Debentures (NCDs) of Paisalo Digital Limited (PDL) continues to derive strength from its experienced promoters and management team along with its long track record of operations, comfortable capital structure, tie-up with prominent PSU bank for co-lending of small ticket unsecured loans, healthy asset quality and improving profitability



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margins. However, rating strengths are partially off-set by High concentration risk and risks associated with lending business.

Key Rating Sensitivities

Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining healthy asset quality indicators, adequate capital position and profitability on a consolidated basis.

Downward Factors

- Significant deterioration in scale of operations, asset quality, profitability and/or capitalization levels on a consolidated basis.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters and Management

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.

Long track record of operations

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.

Comfortable capital structure



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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, 2022 CAR stands comfortable at 42.92% (FY21:44.47%) with Tier I CAR being 37.73% (37.08%). The overall CAR has been increasing with an increase in business operations which reflects infusion of required capital along with rational utilisation of the existing capital. In Q2FY23, the promoters have infused fresh capital of Rs 184 Crores which has helped the company to maintain a CRAR of 42.66% as on 31 December 2022 despite the growth. 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 1.41x as on December 31, 2022

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 2.82% in FY22 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 7 Public Sector Banks as on date (increased from 6 banks in FY21) namely viz. State Bank of India, Bank of Baroda, 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.

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



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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 and NNPA as on March 31, 2022 stood at 1.56% and 1.26%, respectively, the marginal decline is due to covid related head winds however the company has strategically maintained its portfolio and the same has improved in 9MFY23 standing with GNPA and NNPA reducing to 0.75% and 0.26% respectively. The average collection efficiency of the company stands ~90% for the last 12 months ended December 31, 2022.

Improving 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) is comfortable at 5.91% as on 31 Dec 2022 . Healthy NIM coupled with containment of operating expenses have helped the group to report better profitability. ROA and ROE have improved to 3.41% and 8.39% respectively in 9MFY23 when compared to 3.09% and 7.78% in FY22. The company's 9MFY23 performance has also shown growth in its top line and bottom line as compared to previous year's corresponding quarter along with improvement in asset quality and other qualitative parameters.

Key Rating Weaknesses

High concentration risk

Around 96.35% 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 96.84% of the portfolio is concentrated in northern region (Delhi – 88.05%, U.P – 7.34%, Rajasthan – 1.45%). 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 203 branches in 9MFY23 (increased from 174 branches in Q1FY22) because being the larger ticket size



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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)

Analytical Approach: Consolidated

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](#)

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

Liquidity is marked by adequate accruals with sufficient cushion for repayment obligations and adequate cash and cash equivalents to the tune of Rs 15.66 Crore as on December 31, 2022. With a gearing of 1.41 times as on December 31, 2022, the Company has sufficient gearing headroom, to raise additional debt for its business growth. The company has a balanced ALM profile. However, the average utilization of its working capital limits were ~90% for the 12 months ended 31 December 2022.

About the Company

Incorporated in 1992, PDL is registered with RBI as a non-deposit taking systemically important 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*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	346.02	392.22
Interest Expenses	161.95	184.11



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PAT	57.28	79.25
Total Debt	1,321.57	1,675.96
Tangible Net-worth	863.01	1,022.12
Total Loan Assets	2,119.13	2,591.49
Ratios (%)		
PAT Margin (%)	16.55	20.21
Overall Gearing Ratio (x)	1.53	1.64
Total CAR (%)	44.47	42.92
Gross NPA (%)	0.72	1.56
Net NPA (%)	0.56	1.26

*Classification as per Infomerics' standards

Financials: Standalone

(Rs. Crore)

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	311.55	356.40
Interest Expenses	143.76	166.79
PAT	56.82	78.71
Total Debt	1,185.96	1,481.35
Tangible Net-worth	850.89	1,011.40
Total Loan Assets	1,903.31	2348.27
Ratios (%)		
PAT Margin (%)	18.24	22.09
Overall Gearing Ratio (x)	1.39	1.46
Total CAR (%)	44.47	42.92
Gross NPA (%)	0.72	1.56
Net NPA (%)	0.56	1.26

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information:

Mr. Gauri Shankar who is a member of the Rating Committee of INFOMERICS is on the Board of Paisalo Digital Ltd. He. did not participate in the rating exercise for this Company, including the rating decision. Also the rating note was not sent to Mr. Gauri Shankar.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 25, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 26, 2021)	Date(s) & Rating(s) assigned in 2020-21 (August 26, 2020)



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1.	Long Term Fund Based Facility – Cash Credit	Long Term	855.00	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR A+/Stable Outlook
2.	Long Term Fund Based Facility-Term Loan	Long Term	412.72	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR A+/Stable Outlook
3.	Non-Convertible Debentures (SERIES - 07-2020)	Long Term	50.00	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR A+/Stable Outlook
4.	Non-Convertible Debentures (SERIES 08-2020)	Long Term	0.00	Withdrawn	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	--
5.	Non-Convertible Debentures (SERIES 11-2020)	Long Term	0.00	Withdrawn	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	--
6.	Proposed Long Term Facility	Long Term	682.28	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR A+/Stable Outlook
7.	Proposed Non-Convertible Debentures	Long Term	65.00	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook	IVR A+/Stable Outlook
8.	Proposed Commercial Paper Programme	Short Term	150.00	IVR A1+	-	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

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



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high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

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.

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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 – Cash Credit	--	--	Revolving	855.00	IVR AA-/Stable Outlook
Long Term Fund Based Facility- Term Loan	--	--	Up to November, 2024	412.72	IVR AA-/Stable Outlook
Non-Convertible Debentures (SERIES - 07-2020)	July, 2020	10.50%	Up to April, 2023	50.00	IVR AA-/Stable Outlook
Proposed Long Term Facility	--	--	--	682.28	IVR AA-/Stable Outlook
Proposed Non-Convertible Debentures	--	--	--	65.00	IVR AA-/Stable Outlook
Proposed Commercial Paper Programme	-	-	-	150.00	IVR A1+



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Annexure 2: List of companies considered for consolidated analysis:

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Lenders-Paisalo-mar2023.pdf>

NCD Details –

Name of Trustee	IDBI Trusteeship Services Limited
Instrument Description	10.50% SECURED RATED LISTED TAXABLE BONDS IN THE NATURE OF DEBENTURES. SERIES -07-2020. DATE OF MATURITY 21/04/2023
Issue Size	INR50 Crore
ISIN No	INE420C07015
Date of Allotment	16-Jul-2020
Redemption Date	21-Apr-2023
Coupon Rate	10.50%
Coupon Repayment timeline	PAYABLE QUARTERLY ON 16/10/2020,16/01/2021 AND SO ON TILL MATURITY.
Objective/Purpose of the Issue	Onward lending

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.