



Press Release

Prachay Capital Private Limited (PCPL)

September 15, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Bank Facility – Term Loan	8.75 (Reduce from 12.50)	IVR BBB-/ Stable (IVR Triple B minus stable)	IVR BB/ ISSUER NOT COOPERATING (IVR Double B ISSUER NOT COOPERATING)	Rating Revised and Removed from ISSUER NOT COOPERATING
Long Term Bank Facility – Term Loan (Proposed)	19.25 (Increased from 15.50)	IVR BBB-/ Stable (IVR Triple B minus stable)	IVR BB/ ISSUER NOT COOPERATING (IVR Double B ISSUER NOT COOPERATING)	Rating Revised and Removed from ISSUER NOT COOPERATING
Long Term Bank Facility – Cash Credit	12.50	IVR BBB-/ Stable (IVR Triple B minus stable)	IVR BB/ ISSUER NOT COOPERATING (IVR Double B ISSUER NOT COOPERATING)	Rating Revised and Removed from ISSUER NOT COOPERATING
Long Term Bank Facility – Cash Credit (Proposed)	7.50	IVR BBB-/ Stable (IVR Triple B minus stable)	IVR BB/ ISSUER NOT COOPERATING (IVR Double B ISSUER NOT COOPERATING)	Rating Revised and Removed from ISSUER NOT COOPERATING
Total	48.00 (Forty-Eight Crore)			

Details of facilities are in Annexure 1

Detailed Rationale

The revision in the rating to the bank facilities of Prachay Capital Private Limited (PCPL) takes into account the improved scale of operations, good asset quality and growing secured loan portfolio, moderate capitalisation metrics coupled with experienced management team and adequate internal control systems. However, these rating strengths are partially offset by



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higher dependence on one asset segment, geographical concentration risk and competitive nature of industry.

Key Rating Sensitivities:

Upward Factor:

- Significant improvement in scale of operations (product offering, geographical and sectoral segment penetration).

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.



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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.30.46 crore in FY21 which has increased from Rs.19.81 crore in FY20, owing to capital infusion by the promoters and profits being re-invested in the business. PCPL's capital adequacy ratio (CAR) was 35.73% in FY21, as against 43.27% in FY19. 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. 16.46 Crore in FY21. The Net Interest Income has improved from Rs.2.09 Crore in FY19 to Rs. 8.78 Crore in FY21. The company posted a net profit of Rs.6.40 crore in FY21.

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



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Applicable Criteria:

Rating Methodology for Non-Banking Finance Companies

Financial Ratios & Interpretation (Financial Sector)

Liquidity - Adequate

Considering the scale of operations as on March 31st, 2021, the company is well capitalized with a CAR (%) of 35.73% as on March 31, 2021. Also, it has adequately matched asset liability profile as on March 3, 2021. Company's working capital utilization remained moderate at 71.72% for the last twelve months period ended July, 2021.

About the Company

Prachay Capital Private Limited (PCPL) established in the year 2017, previously known as Pracaya 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	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	10.05	16.46
Net Interest Income (NII)	3.57	5.88
PAT	3.30	6.40
Total Debt	35.20	73.01
Tangible Net Worth	19.81	30.46
Total Loan Assets	55.86	101.58



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Total CAR (%)	43.27	35.73
Gross NPA (%)	0.00	0.00
Net NPA (%)	0.00	0.00

* Classification as per Infomerics' standards

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 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Dated: March 17, 2021)	Date(s) & Rating(s) assigned in 2019-20 (Dated: January 06, 2020)	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Term Loan	Long Term	8.75	IVR BBB-/ Stable	IVR BB ISSUER NOT COOPERATING	IVR BB+/ Stable	-
2.	Fund Based Facility – Proposed Term Loan	Long Term	19.25	IVR BBB-/ Stable	IVR BB ISSUER NOT COOPERATING	IVR BB+/ Stable	-
3.	Fund Based Facility – Cash Credit	Long Term	12.50	IVR BBB-/ Stable	IVR BB ISSUER NOT COOPERATING	IVR BB+/ Stable	-
4.	Fund Based Facility – Proposed Cash Credit	Long Term	7.50	IVR BBB-/ Stable	IVR BB ISSUER NOT COOPERATING	IVR BB+/ Stable	-

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About Infomerics:



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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 Loan	-	-	July 2024	8.75	IVR BBB-/ Stable
Long Term Fund Based Facility – Proposed Term Loan	-	-	-	19.25	IVR BBB-/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	12.50	IVR BBB-/ Stable
Long Term Fund Based Facility – Proposed Cash Credit	-	-	-	7.50	IVR BBB-/ Stable

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



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Prachay-Capital-lenders-15sept21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Working capital (CC)	Simple
2.	Term Loan	Simple

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.