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Disclaimer: Mr. Gauri Shankar who is a member of the Rating Committee at INFOMERICS Valuation and Ratings Pvt Ltd is also on the Board of Paisalo Digital Ltd. He did not participate in any of the discussions and processes related to the aforesaid rating and the rating note has not been circulated to him.

Paisalo Digital Limited (PDL)

October 17, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	2236.98	IVR AA/ Stable (IVR Double A; with Stable Outlook)	IVR AA/ Stable (IVR Double A; with Stable Outlook)	Reaffirmation	Simple
Proposed Long Term Bank Facilities	463.02	IVR AA/ Stable (IVR Double A; with Stable Outlook)	IVR AA/ Stable (IVR Double A; with Stable Outlook)	Reaffirmation	Simple
Non-Convertible Debentures (NCDs)	182.75	IVR AA/ Stable (IVR Double A; with Stable Outlook)	IVR AA/ Stable (IVR Double A; with Stable Outlook)	Reaffirmation	Simple
Proposed Non-Convertible Debentures (NCDs)	357.25	IVR AA/ Stable (IVR Double A; with Stable Outlook)	IVR AA/ Stable (IVR Double A; with Stable Outlook)	Reaffirmation	Simple
Proposed Commercial Paper (CPs)	540.00	IVR A1+ (IVR A One Plus)	IVR A1+ (IVR A One Plus)	Reaffirmation	Simple
Total			3780.00		
			Rupees Three Thousand Seven Hundred Eighty 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.



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Detailed Rationale

As on 30 September 2024, PDL has got fresh term loan sanction of Rs 200.00 Crores from Bank of Maharashtra and there is also reduction in term loans due to periodic repayments. Accordingly, the proposed and outstanding limits/instruments have been reclassified at the request of the company.

Infomerics rating has reaffirmed its ratings assigned to various debt facilities/instruments of Paisalo Digital Ltd (PDL) as it continues to derive comfort from the established track record of operations and experienced management, consistent improvement in scale of operations, comfortable capitalisation, healthy asset quality and tie-up with prominent PSU banks for co-lending. However, these strengths are partially offset by portfolio and geographic concentration risk and intense competition in the industry.

The 'Stable' outlook indicates improvement in scale of operations and profitability which likely to sustain. IVR believes PDL's will continue benefit from its operational track record in the business, healthy asset quality, comfortable capital adequacy and diversified funding profile.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in the scale of operations while maintaining healthy asset quality, comfortable capitalisation, and liquidity.
- Sustenance of the overall gearing

Downward Factors

- Substantial deterioration in the scale of operations, asset quality, capitalisation and/or liquidity
- Deterioration in overall gearing

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Established track record of operations and experienced management.

Paisalo group was established in 1992 and commenced its business loans operations in 2006 through Paisalo Digital Ltd (PDL) and has a long track record of around 18 years in retail lending business. In 2011, PDL acquired 100% stake in Nupur Finvest Private Ltd (NFPL) and forayed into unsecured retail lending. PDLs board comprises of ten directors including five independent directors and lead by Mr. Sunil Agarwal, Managing Director and CEO. He has more than 3 decades of experience in SME and retail financing. He is ably supported by other directors as well as by qualified and well experienced management team.

Consistent improvement in scale of operations

PDLs consolidated AUM stood at Rs 4586.00 crore (Including PDLs standalone AUM of Rs 4332.00 crore and NFPLs standalone AUM of Rs 254.00 crore) in FY24 (refers to period 1st April 2023 – 31st March 2024) when compared to consolidated AUM of Rs 3738.33 crore (Including PDLs standalone AUM of Rs 3,387.03 crore and NFPLs standalone AUM of Rs 351.30 crore) in FY23. The growth in on the back of improved disbursements which has increased from Rs 2,599.60 crore in FY23 to Rs 3,590.24 crore in FY24. On the back of which consolidated Net Interest Income (NII) has also increased from Rs 262.08 crore in FY23 to Rs 318.91 crore in FY24. However, consolidated Profitability remained stable with Net interest margin of 9.00% for FY24 (9.13% in FY23).

Comfortable capitalisation

On a standalone basis, PDLs and NFPLs capitalisation remains comfortable at 35.92% and 23.08% respectively for FY24 (40.43% and 16.17% respectively in FY23) which is well above the minimum regulatory requirement of 15%. The consolidated tangible Network has improved to Rs. 1,329.42 crore in FY24 from Rs. 1,162.54 crore in FY23 mainly due to retention of profits. The consolidated gearing remained comfortable at 2.00x in FY24 (1.82x in FY23).

Healthy asset quality



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Given the stringent lending policies/practices coupled with well-established recovery and collection mechanism, PDL has been able to maintain healthy asset quality over the years. For FY24, Gross and net NPAs of PDL remained healthy at 0.21% and 0.02% when compared to 0.25% and 0.02% respectively for FY23. NFPL has nil NPAs as on 31 March 2024 as the company has a policy of writing off the loans post 90dpd. (Nil NPAs in FY23). Collection efficiency of PDL stood at an average of ~95% for the last 12 months ending March 2024.

Tie-up with prominent PSU bank for co-lending of small ticket unsecured loans

Paisalo group has entered into co-lending arrangement with 5 Public Sector Banks as on date namely, State Bank of India, Bank of Baroda, Karnataka Bank, Punjab National Bank and UCO Bank and assignment transaction with 4 Banks namely, South Indian Bank, SBI, Central Bank of India and Bank of Baroda., 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 banks and the balance would be funded by PDL. PDL manages the loans including collections and generates fee income on the off-book AUM. This arrangement allows PDL to mitigate the risks associated with the unsecured lending portfolio.

Key Rating Weaknesses

Portfolio and geographic concentration risk

Around 89% of group's loan book comprises business loans which are mainly chunky in nature. The company's operations are also constrained by geographical concentration risk. Around 90% of the portfolio is concentrated in two states, viz., Delhi contributing to 79.89% and Uttar Pradesh contributing to 11.11% in PDL and ~99% of portfolio is concentrated in two states, viz., Delhi contributing to ~60% and Uttar Pradesh contributing to ~39% in NFPL. 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 Delhi as the underwriting process is centrally done through Delhi office because the larger ticket size component involved in the MSME category specialized staff is required to monitor the



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transaction. Therefore, with the operational efficiencies involved, MSME portfolio is booked in Delhi (as the booking cannot be made at the branch wise).

Intense competition in the industry

The company is exposed to intense competition from other varied sized NBFCs. The lending industry focused on NBFC financing of varied ticket size is highly fragmented with unorganized/organized lenders also relying for the same set of borrowers. However, to some extent the robust digital model and outreach created by PDL along with turnaround time delivered, enables to attract and retain customers.

Analytical Approach: Consolidated

For arriving at the ratings, INFOMERICS Ratings and Valuations Pvt Ltd (IVR) has applied consolidated rating methodology as detailed in the rating criteria below. IVR has analysed PDL's credit profile by considering the consolidated financial statements of the NBFC.

IVR has taken a consolidated view of the businesses and financial profiles of Paisalo Digital Limited and its subsidiary viz, Nupur Finvest Private Limited collectively referred to as Paisalo Group because of the commonality of management and businesses and significant operational and financial linkages between the entities.

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook](#)

[Complexity level of rated instruments/Facilities](#)

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

[Criteria on consolidation of companies](#)

Liquidity: Strong



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The liquidity profile of the company remains strong with no cumulative mismatches in its asset-liability management profile as on March 31, 2024. Further, PDL's has a liquidity cushion of Rs. 75.61 crore in the form of cash and cash equivalents (Rs. 10.78 crore), liquid investments (Rs. 62.28 crore) and undrawn banking lines (Rs. 2.11 crore) as on 31 March 2024. IVR does not foresee any liquidity risk in the near term, given PDL's adequate liquidity position and its ability to raise funds.

About the company

Paisalo Digital Limited (PDL) was incorporated in 1992 and is registered with RBI as a non-deposit taking NBFC. The company provides business loans to SMEs/corporates and income generation loans to individuals. Mr. Sunil Agarwal, the founder promoter of the company, continues to be the Managing director of the company since inception. The company is listed on Bombay Stock Exchange and National Stock Exchange.

Financials (Standalone)*:

Rs in Crores

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	422.97	605.04
PAT	91.69	177.02
Assets Under Management	2798.88	3685.31
Tangible Net worth	1149.48	1314.40
Total debt	1817.80	2455.56
<u>Ratios</u>		
NIM (%)	9.40	11.07
Overall Gearing (Times)	1.58	1.87
Total CRAR (%)	40.34	35.92
Gross NPA (%)	0.25	0.21
Net NPA (%)	0.02	0.02



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Interest coverage (Times)	1.71	1.99
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*Classification as per Infomerics' standards

Financials (Consolidated)*:

Rs in Crores

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	473.19	658.75
PAT	93.62	178.97
Assets Under Management	3387.03	4332.09
Tangible Net worth	1162.54	1329.42
Total debt	2117.19	2655.40
Ratios		
NIM (%)	9.13	9.00
Overall Gearing (Times)	1.82	2.00
ROTA (%)	3.08	4.82
Interest coverage (Times)	1.62	1.89

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Provided above

Rating History for last three years:

Sr. No.	Type of Facilities/Instrument	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (6 Sept 2024)	Date(s) & Rating(s) assigned in 2023-24 (15 Sept 2023)	Date(s) & Rating(s) assigned in 2022-23 (28 March 2023)	Date(s) & Rating(s) assigned in 2021-22 (26 August 2021)



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Sr. No.	Type of Facilities/Instrument	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (6 Sept 2024)	Date(s) & Rating(s) assigned in 2023-24 (15 Sept 2023)	Date(s) & Rating(s) assigned in 2022-23 (28 March 2023)	Date(s) & Rating(s) assigned in 2021-22 (26 August 2021)
1.	Fund Based-Bank Facilities	Long Term	2236.98	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVR AA-/Stable	IVR AA-/Stable
2.	Fund Based-Proposed Bank Facilities	Long Term	463.02	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVRAA-/Stable	IVRAA-/Stable
3.	NCD	Long Term	182.75	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVRAA-/Stable	IVRAA-/Stable
4.	Proposed NCD	Long Term	357.25	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVRAA-/Stable	IVRAA-/Stable
5.	CP	Short Term	-	-	IVR A1+	IVR A1+	IVR A1+	-
6.	Proposed CP	Short Term	540.00	IVR A1+	IVR A1+	IVR A1+	-	-

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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



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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: Details of Facilities

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook	Listing status
Cash Credit/WCDL	-	-	Revolving	549.75	IVR AA/Stable	Not Applicable
Term Loans	-	-	Upto Sep 2029	1687.23	IVR AA/Stable	Not Applicable
Proposed Term Loan	-	-	-	463.02	IVR AA/Stable	Not Applicable
Proposed CP	-	-	-	540.00	IVR A1+	Proposed to be unlisted
NCD (ISIN: INE420C07056)	November 16, 2023	9.95% p.a.	November 15, 2026	10.00	IVR AA/Stable	Listed
NCD (ISIN:)	September 27,	9.95% p.a.	September 26, 2026	50.00	IVR AA/Stable	Listed



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INE420C07049)	2023					
NCD (ISIN: INE420C07064)	December 15, 2023	9.95% p.a.	December 15, 2033	19.70	IVR AA/Stable	Listed
NCD (ISIN: INE420C07072)	December 28, 2023	9.95% p.a.	June 28, 2025	18.00	IVR AA/Stable	Listed
NCD (ISIN: INE420C07080)	January 18, 2024	9.95% p.a.	January 17, 2034	19.71	IVR AA/Stable	Listed
NCD (ISIN: INE420C07098)	February 27, 2024	9.95% p.a.	February 24, 2034	20.34	IVR AA/Stable	Listed
NCD (ISIN: INE420C07106)	April 12, 2024	9.95% p.a.	October 10, 2025	18.00	IVR AA/Stable	Listed
NCD (ISIN: INE420C07114)	May 05, 2024	9.95% p.a.	May 05, 2029	27.00	IVR AA/Stable	Listed
Proposed NCD	-	-	-	357.25	IVR AA/Stable	Proposed to be listed
Total				3780.00		

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-paisalo-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: The covenants mentioned below are applicable to all NCDs rated by IVR

Name of Instrument	Non-Convertible Debentures
Financial Covenants	-CAR shall be above 15% -NPA lower than 5% -Total debt/TNW not exceed level of 5x
Rating Covenants	-If at any time during the tenor of the debentures, the rating of the Issuer's bank facilities/other instruments is downgraded below AA-, the coupon rate shall be increased by 25 basis points for every one notch downgrade. Such coupon is applicable from the date of such downgrade until such event is cured on the outstanding principal and accrued interest.
Non-Financial Covenants	-Debentures shall be secured by continuing security by way of an exclusive charge up to extent of 1.10x of principal amount of Debentures outstanding (Security cover) on standard/hypothecated receivable in favour of the Debenture



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	trustee for the benefit of debenture holders -The record date shall be 7 calendar days prior to each coupon payment date/ redemption date. -Quarterly reports on book debts on which charge has been created to be submitted after end of each quarter.
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Draft terms for proposed Commercial paper issue:

Issuer	Paisalo Digital Limited
Investor	TBD
IPA	IDBI Bank Limited
Expected Deal/Issue Date	TBD
Amount (Rs. Crore)	Upto 540 crore
Tenure	Upto 364 days
Coupon Payment	On maturity
Expected Yield Rate (% p.a.) (Disc)	11
Depository Participant	NSDL
Expected CP Maturity (Date)	TBD
Financial Covenants	Not Applicable
Rating Covenants	Not Applicable

Draft Term sheet for proposed NCDs of Rs 357.25 crore.

Particulars	Comment
Name of Issuer	Paisalo Digital Limited
Issue Amount (Rs. Crore)	Upto 357.25
Coupon Rate p.a. (Tentative)-%	9.95%
Purpose of NCD	Onward lending
Frequency of Coupon Payment (Monthly/Quarterly/Half Yearly)	Quarterly
Tenor of NCD (24/36/48/60 Months) with put/call option	36 months with no put/call option
Redemption of NCD (Bullet/2 or 3 Instalments)	Bullet
Financial Covenant	-CAR shall be above 25% -NPA to be lower than 5% -Total debt/TNW not exceed level of 5x
Non-Financial Covenant	-Debentures shall be secured by continuing security by way of an exclusive charge up to extent of 1.10x of principal amount of Debentures outstanding (Security cover) on



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	<p>standard/hypothecated receivable in favor of the Debenture trustee for the benefit of debenture holders</p> <p>-The record date shall be 7 calendar days prior to each coupon payment date/redemption date.</p> <p>-Quarterly reports on book debts on which charge has been created to be submitted after end of each quarter.</p>
Rating Covenant	<p>-If at any time during the tenor of the debentures, the rating of the Issuer's bank facilities/other instruments is downgraded below AA-, the coupon rate shall be increased by 25 basis points for every one notch downgrade Such coupon is applicable from the date of such downgrade until such event is cured on the outstanding principal and accrued interest.</p>

Annexure 4: List of companies considered for consolidated/Combined analysis:

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

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.