



RATING RATIONALE

10 Feb 2020

Pooja Finelease Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 100 Crores of Pooja Finelease Ltd. (PFL)

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Oct 2018)	Present
Fund based - Cash Credit	30.00	30.00	Long Term	BWR BBB (Stable)	BWR BBB (Stable) (Reaffirmation)
Proposed - Cash Credit	70.00	20.00	Long Term	BWR BBB (Stable)	BWR BBB (Stable) (Reaffirmation)
- Term Loan	0.00	50.00			
Total	100.00	100.00	INR One Hundred Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings reaffirms the long term rating of bank loan facilities of Pooja Finelease Ltd. (PFL) at BWR BBB (Stable). The rating factors in the experienced management team, comfortable capitalisation, and adequate profitability. The rating, however, is constrained by modest scale of operations, the geographical concentration in the company's loan portfolio, and moderate asset quality.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Management Team** - The promoters and management of the company have extensive experience in the industry. The company was founded by Mr. Lunkaran Mehta, having over 5 decades of experience in financing and leasing business. It is now managed by his son, Mr. Jethmal Mehta (The Chairman) having 30 years of experience in the field of lottery, finance and real estate and grandson Mr. Rohit Mehta (The Managing Director) an MBA in Finance and instrumental in scaling up the business. Mr. KL Sharma, the President, has over 37 years' experience in different banking areas.
- **Comfortable Capitalisation** - The company's tangible net worth stood at Rs. 91.88 Crs. in Dec 2019 with a capital adequacy ratio of 68.83%. The net worth grew ~31% in FY19, increasing to Rs. 87.78 Crs. in Mar'19 (PY: Rs. 67.02 Crs.). Gearing improved to 2.03x in Dec'19 from 2.32x in FY19.
- **Adequate Profitability** - The company recorded a profit of Rs. 4.09 Crs. for the nine months ended December 2019 and Rs. 3.69 Crs. for the year ended March 2019, registering a growth of ~11%. PFL's net interest income stood at Rs. 23.01 Crs. in Dec'19 and Rs. 30.74 Crs. in Mar'19.

Credit Risks:

- **Modest scale of operations** - The company's operations are spread across 7 states and 17 branches with a customer base of 76,383 (as on 31 March 2019). The company disbursed Rs. 217.35 Crs. in FY19 as against Rs. 136.69 Crs. in FY18. PFL's AUM declined from Rs. 247.78 Crs. in March 2019 to Rs. 229.93 Crs. in Dec'19. This decline is due to the difficult market environment for NBFCs due to which the company slowed down their disbursements. PFL's disbursements for the current financial year stood at Rs. 88.23 Crs. up till Dec'19.
- **Moderate Asset Quality** - The company's gross NPA level deteriorated to 3.31% in Dec'19 from 3.24% in Mar'19. However, on an absolute basis the gross NPA stood at Rs. 7.61 Crs. in Dec'19 as against Rs. 8.04 Crs. in Mar'19. As on Sept'19 the two key segments i.e Two-wheeler loans and Loans against property reflected a moderate asset quality. The deterioration in NPA levels can be accounted to high delinquencies in the E-Rickshaw product segment where the company is planning to reduce their exposure going forward.
- **Geographical Concentration Risk** - PFL's portfolio is spread across Delhi, West Bengal, Chhattisgarh, Haryana, Rajasthan, Uttar Pradesh, Uttarakhand, and Maharashtra, through a network of 17 branches. The portfolio is concentrated in Delhi (~53% of the book) followed by Siliguri (~21% of the book) and Raipur (~12% of the book). (*figures as on Dec'19*)



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to grow their portfolio while improving the asset quality, diversify their resource profile and their overall gearing philosophy will be key rating sensitivities.

Positive: The rating may be upgraded if the company is able to grow their portfolio while improving the asset quality and profitability.

Negative: The rating may be downgraded if the company's asset quality, profitability, and/or liquidity profile weakens.

LIQUIDITY POSITION: ADEQUATE

The company's portfolio consists of Two-Wheeler loans, Loans against Property, Three-Wheeler loans, Personal loans, and E-Rickshaw loans (as on Sept 2019). While the two & three wheeler loans and personal loans are typically given to borrowers for a maximum period of 24 months, the LAP tenure may range up to 15 years. Unsecured loans to the tune of Rs. 100 Crs. are sourced from Arise Investments and Capital Ltd. (an NBFC) against the personal guarantee of Mr. Jethmal Mehta (present Chairman of PFL).

As on 30 Sept 2019, there are no negative mismatches in the company's ALM position. PFL had cash and cash equivalents of Rs. 18.11 Crs. as on 31Dec 2019 with a current ratio of 2.14x.

COMPANY PROFILE

Pooja Finelease Limited is a Non-Banking Finance Company (NBFC) based out of Delhi, India. The company was formed in 1995 and registered with the RBI as an NBFC in 2001. PFL provides Two & Three wheeler loans, Loans against property, Business & Personal loans, and E-Rickshaw loans. The company is further entering into Digital Lending of personal loans given to MNC employees across Delhi-NCR.

PFL was founded by Mr. LK Mehta, having over five decades of experience in financing and leasing business besides real estate and trading in the share market. The company is currently helmed by his son, Mr. Jethmal Mehta (Chairman & Director), having 30 years of experience in the field of lottery, finance and real estate and grandson Mr. Rohit Mehta (Managing Director). PFL's operations are spread across Delhi, West Bengal, Chhattisgarh, Haryana, Rajasthan, Uttar Pradesh, Uttarakhand and Maharashtra. Their loan book stood at Rs. 229.93 Crs. as on Dec'19.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY17	FY18	FY19
Result Type		Audited	Audited	Audited
Loan Portfolio o/s	Rs. Crores	163.56	180.95	247.78
Tangible Net Worth	Rs. Crores	43.59	67.02	87.78
Total Debt	Rs. Crores	144.61	138.71	204.03
Debt: Equity	Times	3.32	2.07	2.32
Revenue from Operations	Rs. Crores	41.99	49.57	56.63
Profit After Tax	Rs. Crores	1.88	3.46	3.69
Net Interest Income	Rs. Crores	21.73	29.12	30.74
GNPA %	%	--	3.09%	3.24%
NNPA %	%	--	2.53%	2.88%
CRAR	%	--	82.56%	83.94%

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Facilities	Current Rating (February 2020)			Rating History			
	Tenure	Amount (₹ Cr)	Rating	2019	2018		2017
Fund based - Cash Credit	Long Term	30.00	BWR BBB (Stable) (Reaffirmation)	BWR BBB (Rating Not Reviewed)	BWR BBB (Stable) 29 Oct 2018	BWR BBB- (Stable) 27 Mar 2018	--
Proposed - Cash Credit - Term Loan	Long Term	20.00 50.00					
Total		100.00	INR One Hundred Crores Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks and Financial Institution](#)

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Pooja Finelease Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1.	State Bank of India	Cash Credit	30.00	30.00
2.	Proposed Limits	Cash Credit	20.00	20.00
		Term Loan	50.00	50.00
TOTAL				100.00

Total Rupees One Hundred Crores only.

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