NCD/NSE/2023-24/43

29th December 2023

The Manager
Listing Department- Debt
National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051

Dear Sir,

Sub: Intimation under regulation 51 & 55 of SEBI (Listing and Obligations Disclosure Requirements) Regulations, 2015 as amended from time to time

Pursuant to Regulation 51 read with Para A of Part B Schedule III & Regulation 55 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, we, Profectus Capital Private Limited ('**the Company'**) hereby wish to inform you that Care Ratings Limited (CARE), a rating agency has enhanced the credit rating amount for Long Term Bank facilities from Rs.500 Cr to Rs.1,000 Cr and re-affirmed the credit rating of the Company's instruments/ facilities as detailed below:

1. **Non-Convertible Debentures:**

Sr. No.	**ISIN**	**Name of Credit Rating Agency**	**Credit Rating Assigned**	**Outlook (Stable/ Positive/ Negative / No outlook)**	**Rating Action (New/ Upgrade / Downgrade/ Re-Affirm/ Other)**	**Specify other rating action**	**Date of Credit rating**	**Verification status of Credit Rating Agencies**	**Date of verification**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	INE389Z07013	CARE Ratings Limited	CARE A	Stable	Re-Affirmed	--	28th December 2023	Verified	29th December 2023

2. **Long Term Bank Facilities**

Rating Agency	**Facility**	**Rating/Outlook**	**Rating Action**
CARE Ratings Limited	Long Term Bank Facilities (Enhanced from 500 Cr to 1000 Cr)	CARE A (Stable)	Re-Affirmed

Further, please find enclosed press release dated December 28, 2023 issued by CARE Ratings Limited, in this regard.

You may note that the Company received aforesaid intimation vide an email dated December 28, 2023 at 7.03 pm from CARE Ratings Ltd. Kindly take the above on your record.

Thanking You,

for **Profectus Capital Private Limited**

NITIN GANPAT PANGARKAR

Digitally signed by NITIN GANPAT PANGARKAR
Date: 2023.12.29 13:39:05 +05'30'

Nitin Pangarkar
Company Secretary & CCO
Membership No. 23863

Profectus Capital Private Limited

December 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,000.00 (enhanced from 500.00)	CARE A; Stable	Reaffirmed
Non-convertible debentures	30.00	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating for the bank facilities and instruments of Profectus Capital Private Limited (PCPL) factors in comfortable capitalisation level supported by periodical equity infusion, relatively well-diversified loan portfolio, reasonable ability to attract funding and established credit underwriting process with focus on select sectors of the economy. The ratings also take note of the benefits derived from the strategic investor in the form of strategy and management oversight.

The rating, however, remains constrained on account of PCPL's moderate stage of business operations which subsequently results in a moderately seasoned loan portfolio. The rating also takes note of modest but improving profitability. Going forward, the ability of the company to increase its operational scale while maintaining healthy capitalisation, asset quality and improving profitability on a sustained basis will remain critical parameters for its rating.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in the operational scale with improvement in profitability with return on total assets (ROTA) above 2.5%.
- Any significant mobilisation of equity capital for further growth in business.

Negative factors

- Increase in the gearing levels beyond 4.5x.
- Weakening of asset quality parameters with Gross Stage 3 (GS3) assets above 4% on a sustained basis.
- Inability of the company to diversify the funding profile and reduce costs of funds.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook factors in comfortable capital adequacy, gearing levels, and relatively moderate non-performing asset (NPA) levels.

Detailed description of the key rating drivers:

Key strengths

Healthy capitalisation

Actis LLP, a UK-based private equity firm with US $19 billion of total assets, acquired a 100% shareholding in PCPL in 2019 with a commitment of investing US $140 million (around ₹1,000 crore) into the company. As on March 31, 2023, the private equity firm has fully infused the committed amount. Actis was founded in 2004 as a spin-off of Commonwealth Development Group, a UK Government's finance institution established in 1948.

As on March 31, 2023 and September 30, 2023, the capital adequacy of the company remained comfortable with capital adequacy ratio (CAR) at 43.24% and 42.12% and Tier-1 CAR at 42.25% and 41.43x, respectively, which are well above the regulatory requirement of 15% (overall CAR) and 10% (Tier-1 CAR). As the company is currently well capitalised, the overall gearing (borrowings/tangible net worth [TNW]) stood at 1.63x as on March 31, 2023 and 1.64%x as on September 30, 2023. During FY23 (April 2022-March 2023), Actis invested ₹270 crore in PCPL on rights basis which helped in the improvement of capitalisation level.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Improvement in the scale of operations with rise in profitability

The assets under management (AUM) of the company witnessed an increase from ₹1,538 crore in FY22 to ₹2,522 crore in FY23 which further increased to ₹2,688 crore in H1FY24, while the disbursements stood at ₹1,765 crore and ₹736 crore during FY23 and H1FY24, respectively. During H1FY24, the net interest margin (NIM) remained moderately stable at 6.37% (FY23: 6.56%). The total operating expenses/average total assets (%) improved from 6.1% in FY22 to 4.88% and 4.39% in FY23 and H1FY24. On absolute basis, the total operating expense increased to ₹66.7 crore and ₹114.5 crore in H1FY24 and FY23, respectively, from ₹87.2 crore in FY22, mainly due to an increase in the number of branches from 22 (as on March 31, 2022) to 28 (as on September 30, 2023) along with an increase in the number of employees in H1FY24 (594 as on September 30, 2023, as compared with 562 as on March 31, 2022). On account of scaling up of operations, the operational efficiencies were visible with significant improvement in cost to income ratio from 83.18% in FY22 to 69.62% in FY23 which further decrease to 62.81% in H1FY24. With credit costs under control, the company reported a profit after tax (PAT) of ₹29.93 crore and ₹24.53 crore in FY23 and H1FY24, respectively. Owing to the above factors, the return on total assets (ROTA) improved from 0.6% in FY22 to 1.28% in FY23 and 1.62% in H1FY24, respectively. The return on net worth (RONW) also showed an improvement from 3.28% in FY23 to 4.57% H1FY24.

Established credit underwriting with focus on exposure to select segments of the economy

PCPL has a well-established credit underwriting policy with systems and processes in place for checking the credit history of the client, conducting field investigations, assessing business and income of the client using standard tools, and studying the free cashflow available for debt servicing. Among its Enterprise Mortgage Loans portfolio (around 36% of AUM as on September 30, 2023), the company focuses on select segments of the economy such as print and packaging (around 7% of AUM), chemical and plastics (around 6% of AUM), healthcare (around 6% of AUM), food processing (around 5% of AUM), etc. Thus, the ability of the company to focus on select sectors of the economy is a differentiating factor for the company.

Reasonable ability to attract funding

The resource profile of PCPL comprises term loans and cash credit lines from around 33 different banks/non-banking finance companies (NBFCs) as on September 30, 2023. The company was able to diversify its sources with funding from various small finance banks, private banks, NBFCs and public banks with incremental cost of funds in the range of 9.5-10.5%. The cost of borrowings remains reasonable given the limited operating history which partly reflects the benefits of having Actis as a parent.

Relatively well-diversified loan portfolio

PCPL mainly provides school funding, secured financing to micro, small and medium enterprises (MSME) borrowers and funding to other microfinance institution (MFI)/NBFC. As on September 30, 2023, out of the total portfolio outstanding (₹2,688 crore), 36% (FY23:37%) consists of Enterprise Mortgage Loans (MSME LAP), 23% (FY23: 23%) consists of School Funding and 17% (FY23: 17%) consists of equipment funding with segmental exposure to pharmaceuticals & healthcare, engineering, printing, textiles, chemical and plastics, auto ancillaries, etc. The top three states, i.e., Maharashtra, Telangana and Gujarat consist of 46% and of the portfolio outstanding as on March 31, 2023. (March 31, 2022: 52%). Furthermore, as on September 30, 2023, the top three states (Maharashtra, Telangana, and Gujarat) consist of 61% of the portfolio outstanding. The exposure to top five states has considerable improved over past 3 years from 84% in FY21 and 72% in FY22 to 65% in FY23. However, it has increased to 76% in H1FY24. As on March 31, 2023, the company operates from 26 locations with branches in the states of Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Delhi, Haryana, West Bengal, Telangana, Andhra Pradesh, Tamil Nadu, Karnataka, Assam, Chhattisgarh and Punjab. Going forward, CARE Ratings expects the product mix of the company to grow in the same proportion with around 80% comprising enterprise mortgage loans, school funding and equipment funding and remaining around 20% comprising MFI/NBFC funding and supply chain financing with penetration into newer cities within the same states.

Key weaknesses

Relatively moderate operating history

PCPL was founded by KV Srinivasan on June 09, 2017, and received certificate of registration from the Reserve Bank of India (RBI) as NBFC ND SI in September 2017. The company started its first disbursement from Q4FY2018 of ₹0.70 crore and gradually scaled up the business with disbursements of ₹1,765 crore in FY23 and ₹736 crore in H1FY24. The company has been able to grow its AUM to ₹2,535 crore as on March 31, 2023 and ₹2,688 crore as on September 30, 2023, witnessing compounded annual growth rate (CAGR) of 88% since March 2019. Considering disbursements were made from 2019 only, the total disbursements of ₹4,815 crore from FY19 to H1FY24 and an AUM of ₹2,688 crore as on September 30, 2023, suggests business operations to be in the moderate stages.

Moderate asset quality and moderate seasoning of portfolio

As on March 31,2023, the Gross Stage 3 stood at 0.8% (in line with 0.78% as on March 31, 2022) and the Net Stage 3 stood at 0.61% (in line with 0.65% as on March 31, 2022). However, as on September 30, 2023, the gross NPA (GNPA) (%) and net NPA (NNPA) (%) were considerably higher at 1.85% and 1.42%, respectively. The ability of the company to maintain asset quality through various cycles and sustaining profitability remains key to its long-term prospects.

The portfolio remains moderately seasoned since as on September 30, 2023, only 19% of the AUM has balance tenure of 12 months & less and remaining 81% of the AUM has balance tenure of more than 1 year with 50% and 31% of the AUM having balance tenure of 1 to 7 years and 7 to 10 years, respectively. Thus, asset quality performance over various economic cycles is yet to be established. Nonetheless, CARE Ratings takes comfort from the significant capital buffers maintained by PCPL and the management's conservative underwriting norms.

Liquidity: Adequate

The company's liquidity profile is comfortable with no negative cumulative mismatch in its less than 1-year tenor bucket aided by available liquidity buffer of ₹291 crore as on September 30, 2023. The company's liquidity is also supported by regular fund infusion from its strategic investor Actis LLP.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Policy on default recognition
Financial Ratios - Financial Sector
Rating Outlook and Credit Watch
Non-Banking Financial Companies

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Non-banking financial company

PCPL was founded by KV Srinivasan on June 09, 2017, and received certificate of registration from RBI as NBFC ND SI in September 2017. Currently, the company is 100% held by Actis Capital Ltd, private equity fund, based in UK. PCPL provides loans to MSME, equipment funding, supply chain finance for dealers in segments, such as pharmaceuticals, consumer durables, auto ancillaries, among others. The company is also engaged in providing school funding for upgrading and/or expanding the infrastructure. PCPL also provides loans to regional MFI/NBFC. The company started its first disbursement from Q4FY2018 of ₹0.70 crore and gradually scaled up the business with disbursements of ₹1,765 crore in FY23 and ₹736 crore in H1FY24. The asset under management (AUM) stood at ₹2688 crore as on September 30, 2023, consists of enterprise mortgage loans (36% of AUM), school funding (23%) and equipment finance (17%). As on September 30, 2023, the operations of the company are spread across 28 locations across India, with an employee base of 721.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total income	161.67	273.06	194.17
PAT	7.83	29.93	24.53
Total assets*	1,698.07	2,995.24	3,074.69
Gross NPA (%)	0.78%	0.80%	1.85%
Net NPA (%)	0.65%	0.61%	1.42%
ROTA (%)	0.55	1.28	1.62

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'
*Adjusted for deferred tax assets and intangible assets.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-convertible debentures	INE389Z07013	06-Oct-2022	9.57%	10-06-2025	30.00	CARE A; Stable
Fund-based-Long Term	-	-	-	2026	410.30	CARE A; Stable
Fund-based-Long Term -Proposed	-	-	-	-	589.70	CARE A; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-Long term	LT	1000.00	CARE A; Stable	1)CARE A; Stable (05-Oct-23)	1)CARE A-; Stable (28-Oct-22)	1)CARE A-; Stable (22-Mar-22) 2)CARE A-; Stable (16-Apr-21)	1)CARE A-; Stable (30-Mar-21)
2	Debentures-Non-convertible debentures	LT	30.00	CARE A; Stable	1)CARE A; Stable (05-Oct-23)	1)CARE A-; Stable (28-Oct-22) 2)CARE A-; Stable (01-Jun-22)	-	-

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Term loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in