Pyramid Finance Private Limited

Rating History

Instrument	Amount Outstanding	Rating Outstanding	
		September 2011	May 2010
Rs. 19 crore bank lines		[ICRA]BBB/Stable	LBBB/Stable

Rating of [ICRA]BBB with Stable outlook has been reaffirmed to Rs. 19 crore bank lines (enhanced from Rs. 18 crore) of Pyramid Finance Private Limited [PFL] (formerly known as Pyramid Finance Limited). The rating takes into consideration PFL's established track record in financing small/ medium sized companies and strong understanding of the local economy (Goa region), sound asset quality indicators till date, strong capitalisation levels and comfortable liquidity profile of the company. The rating also factors in the strength of its promoter Mr. S.V. Salgaocar, M.D. Salgaocar Group and 50% equity shareholder of V.M. Salgaocar & Bro. Pvt. Ltd., which has generated a profit after tax exceeding Rs. 350 crores for the year ended March 2010. The rating is constrained by the relatively small scale of operations, high geographic dependence with 77% of the business coming from Goa region, credit concentration on few large clients and increasing competition from banks in the segment that PFL caters to.

Pyramid Finance Limited is a part of the Salgaocar group of companies and its equity is fully held by Mr. S.V. Salgaocar family, either in their personal capacity or through other group companies. Salgaocars are one of the large industrial groups in Goa with interests in mining, construction and hotels. In the past, regular financial support has been provided by the promoters and their family in the form of fixed deposits to the company, as and when required. However, since October 2009, the company has not taken any fixed deposits from the Salgaocar family. Salgaocars also have board representation on the company.

PFL is not a Systematically Important NBFC based in Goa, catering to the short and medium term requirements of the small and medium sized regional entities. It provides asset financing, working capital financing and bill discounting facilities to its clients. Apart from financial assistance, PFL also provides product/service related technical advice to its startup clients to ensure steady repayment from a profitable venture. An established presence of the group and its relationship with businesses in the region has enabled PFL to source business and maintain its asset quality.

PFL maintained a cautious stance on disbursements in FY09 and FY10. However, with improvement in the economic scenario and greater demand for funds, the business volumes (largely term loans and bill discounting) increased in FY11. Accordingly, the company's total disbursements were ~65% higher in FY11 as compared with the corresponding numbers last fiscal. With no incremental lease transactions in FY11, the outstanding lease portfolio further came down to less than 1%. The company increased its asset base to Rs. 41.23 crore in FY11 from Rs. 22.56 crore in FY10 by expanding its advances book.

PFL has been able to maintain good asset quality and reported nil NPAs as on March 31, 2011. Strong understanding of the local economy, technical knowledge about the client's business and client's close association with the promoters/senior management has provided substantial comfort on recoveries. PFL maintained a collection efficiency ratio of 99% plus in FY11 and FY10. In Q1FY12, the collection efficiency dropped to 90% on account of slippages in 3-4 cases. However, the company expects the accounts to get regularized in the near future.

With a conservative leverage policy, the company maintained a healthy capital adequacy level of 48.21% as on March 31, 2011. The company's gearing is comfortable at about 1.06 as on March 31, 2011. It is targeting the maximum gearing at 1.5, without any prospect of equity infusion by promoters in the next 2-3 years. Adequate bank lines coupled with easily accessible cheap funds in the form of Inter corporate deposits from group companies and other corporate entities ensure a comfortable funding profile for PFL.

PFL's net interest income grew by only 17% to Rs 4.74 crore in FY11 as a significant portion of the credit growth happened in last 4-5 months of FY11. While the fee income continues to remain low, PFL reported trading losses ~ Rs. 0.26 crore in FY11 on account of mark-to-market losses in derivatives used to hedge its investment portfolio. The operating expenses of the company witnessed a one-time increase in FY10 because of the consulting fees paid to PWC to conduct a due-diligence on a possible acquisition target. However, with small employee strength and most of its operations conducted out of the Goa office, the company was able to bring back the cost to income ratio to ~32% in FY11 from ~ 47% in FY10. Accordingly, PFL reported a slight decline of ~ 2% in net profits to 1.46 crore in FY11.

PFL plans to maintain a moderate pace of growth and the gearing level of the company is likely to remain under 2 times over the next 2-3 years resulting in healthy regulatory capitalization levels. While the margins are expected to be under pressure in the near term, low operating costs should help the company to maintain net profitability at ~6% to 6.5% of average total assets.

Company Profile

Pyramid Finance Private Limited (PFL), incorporated on 24th August 1993, is a Non-Banking Finance Company registered with Reserve Bank of India and has its registered office at Vasco-da-Gama, Goa. PFL is a part of the Salgaocar group of companies which has interests in mining, shipping and hotels. The equity of PFL is entirely held by the promoters and other investing companies of the group. The Company primarily caters to medium and small term financing requirements of its client base consisting of mainly small and medium sized companies, based in Goa.

The company reported a managed a net profit of Rs. 1.46 crore on a total income of Rs. 4.55 crore in FY11 as compared to a net profit of Rs. 1.48 crore on a total income of Rs. 5.22 crore in FY10. The company has reported NIL gross NPA for the past two years. The capital adequacy ratio of the company stood strong at 48.2% as on 31-Mar-11.

September 2011

Key Financial Indicators

	Mar-11	Mar-10	Mar-09
Equity Capital	9.00	9.00	9.00
Net Worth (reported)	18.97	18.36	16.78
Total Assets	41.23	22.56	30.41
Total Income	4.55	5.22	4.50
Net Interest Income	3.57	3.02	3.01
PBT (reported)	2.20	2.29	2.19
PAT (reported)	1.46	1.48	1.45
Average Yield on Earning Assets	14.85%	15.25%	14.05%
Average Cost of Interest Bearing Funds	10.04%	9.90%	10.24%
Gross Interest Spread	5.91%	6.81%	4.94%
Net Interest Margin	11.19%	11.40%	9.65%
Non-Interest Income/ ATA	0.24%	4.03%	0.34%
Expenses/ATA	3.73%	7.23%	3.19%
Provisions & Charge-offs/ATA	0.00%	0.00%	-0.23%
PAT/ATA	2.74%	5.18%	4.64%
Cost to Income Ratio	32.65%	46.84%	31.98%
PAT/ Average Net Worth	9.19%	7.39%	8.99%
Dividend/PAT (reported)	0.00%	0.00%	0.00%
Dividend Rate	0.00%	0.00%	0.00%
Total Debt/Net Worth (reported) (times)	1.06	0.17	0.72
Capital/Risk Weighted Assets	48.20%	84.69%	49.51%
Tier I Capital	48.20%	84.69%	49.51%
Gross NPA%	0.00%	0.00%	0.25%
Net NPA%	0.00%	0.00%	0.22%

Amount in Rs. crore

For further details please contact:

<u>Analyst Contacts:</u>
Mr. Karthik Srinivasan (Tel No. +91-22-30470028)
karthiks@icraindia.com

<u>Relationship Contacts:</u>
Mr. L. Shivakumar (Tel. No. +91 22 3047 0005)
shivakumar@icraindia.com

Registered Office

ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: **9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91-124-4545350

Mumbai **Mr. L. Shivakumar** Mobile: **91-22-30470005/9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025 Ph : +91-22-2433 1046/ 1053/ 1062/ 1074/ 1086/ 1087 Fax : +91-22-2433 1390	**Kolkata** **Ms. Anuradha Ray** Mobile: **91-33-22813158/9831086462** Email: anuradha@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna, 234/ 3A, A.J.C. Bose Road, Kolkata-700020. Tel: +91-33-2287 6617/ 8839/ 2280 0008 Fax: +91-33-2287 0728
Chennai **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre, 498 Anna Salai, Nandanam, Chennai-600035. Tel: +91-44-2433 3293/ 94, 2434 0043/ 9659/ 8080, 2433 0724, Fax:91-44-24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 2 nd Floor. ,Vayudhoot Chambers, Trinity Circle, 15-16 M.G.Road, Bangalore-560001. Tel:91-80-25597401/ 4049 Fax:91-80-25594065
Ahmedabad **Mr. L. Shivakumar** Mobile: **9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585494, 26582008,26585049, 26584924 TeleFax:+91-79- 2648 4924	**Pune** **Mr. L. Shivakumar** Mobile: **9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel : (91 20) 2556 1194 -96; Fax : (91 20) 2556 1231
Hyderabad **Mr. M.S.K. Aditya** Mobile: **9963253777** Email: adityamsk@icraindia.com 301, CONCOURSE, 3rd Floor, No. 7-1-58, Ameerpet, Hyderabad 500 016. Tel: +91-40-2373 5061 /7251 Fax: +91-40- 2373 5152	