

Baid Finserv Limited

October 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	235.00 (Enhanced from 185.00)	CARE BBB; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating continues to derive strength from experienced promoters, comfortable capital structure, secured nature of portfolio and comfortable earnings profile. The ratings are however, constrained by BFL's moderate asset quality, geographical and product concentration and limited portfolio seasoning.

Rating sensitivities:

Positive factors – Factors that could, individually or collectively lead to positive rating action/upgrade:

- Sustained and profitable increase in scale and diversification of operations
- Significant equity infusion

Negative factors - Factors that could, individually or collectively lead to positive rating action/downgrade:

- Deterioration in the asset quality (GNPA > 4%), on a sustained basis, thereby impacting its profitability
- Increase in gearing levels beyond 3x
- Inability to scale up its business operations on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook factors in expectations of continued portfolio growth in driven by expansion in existing and newer geographies.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with strong domain knowledge:

Mr. Panna Lal Baid along-with third generation technocrats viz., Mr. Aman Baid, looks after the operations, credit, collection for the vehicle portfolio and Mr Aditya Baid looks after the LAP/SME portfolio of the company. Mr. Aman Baid and Mr Aditya Baid have been associated with the company for the last 11 years. The strategic decision making is entirely promoter centric. The promoters are supported by management team with relevant domain experience.

Comfortable earnings profile:

BFL's disbursement increased from ₹82.81 crore during FY22 to ₹112.56 crore during FY23, up 36% y-o-y. Backed by higher disbursements, AUM of the company increased from ₹270 crore as on March 31, 2022 to ₹305 crore as on March 31, 2023 and to, further ₹317 crore as on June 30, 2023. Higher disbursements and broadly range bound spreads has helped company improve its NIM to 10.20% [P.Y: 9.46%]. Given the rebound in retail demand post covid-19, the company expanded its branch network and staff headcount during FY23, thereby resulting into higher opex. Opex/ATA, as a result, increased from 4.39% during FY22 to 5.66% during FY23. Rise in opex was more or less offset by healthy spreads, thereby resulting in improvement in ROTA of 3.15% during FY23 from 2.77% during FY22. However, ROTA remains below pre-covid levels of 3.22% during FY19. While the company continues to maintain healthy spreads, its margins are exposed to interest rate risks since company lends at fixed rate vis-à-vis floating rate borrowings of the company is 50%.

The company's ability to maintain profitable growth momentum is a key monitorable.

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

Comfortable capital structure:

Capital adequacy ratio (CAR) of BFL stood at 50.71% as on March 31, 2023 as compared to 51.01% as on March 31, 2022. Overall gearing stood at 1.10 times as on March 31, 2023 as against 1.10 times as on March 31, 2022. The gearing policy is conservative, and the management intends to keep the gearing levels below 3 times over the medium term on a steady basis.

Key weaknesses**Geographical and product segment concentration risk:**

The LAP/SME loans portfolio contributes to around 92.71% of the overall mix as on March 31, 2023, whereas the vehicle segment contributes 7.29%. Further, its 100% operations are concentrated in the state of Rajasthan with 37 branches as on March 31, 2023. BFL has secured portfolio for vehicle financing as well as LAP which are secured in the form of mortgage of mainly residential self-occupied.

Going forward, BFL envisages diversifying its loan book in different geographies, by opening new branches in the state of Madhya Pradesh and Gujarat during FY24.

Moderate scale of operations with moderate seasoning:

BFL's loan portfolio grew from ₹263.15 crore as on March 31, 2022 to ₹300.86 crore as on March 31, 2023. However, vehicle segment loan portfolio has witnessed decline from ₹40.27 crore as on March 31, 2020 to ₹21.92 crore as on March 31, 2023. Even though BFL disbursed ₹112.56 crore during FY23, the AUM did not grow substantially, as 5% to 7% of the monthly disbursement loans of their loans get closed due to pre closure on account of competition from large banks and NBFCs.

Further, the company started its LAP/SME segment in the year 2015 and although its average tenor is 7 years, hence its asset quality performance through various economic cycle and geographies is yet to be established.

Moderate asset quality and exposure to relatively riskier borrower segment:

The company has moderate asset quality parameters; Gross NPA% and Net NPA% stood at 2.90% and 0.65% as on March 31, 2023 (from Q4FY23, NPA recognition has moved to 150dpd from 180dpd). The company increased provisioning cover to 32.34% as on March 31, 2023 from 28.94% as on March 31, 2022.

The company provides finance majorly to small traders, farmers, and small business owners. The profile of BFL's customers thus remain a concern as their credit remains untested as well as they remain more vulnerable to economic shocks. Thus, the potential portfolio vulnerabilities remain relatively high. However, majority of BFL's portfolio is secured by way of mortgage of properties. This provides a comfort to the lending business, as actual loss in case of delinquency is lower compared to unsecured loans.

While CARE takes cognisance of overall improvement in asset quality, the same is prone to asset quality shocks on account of exposure to relatively riskier borrower segment.

Concentrated resource profile:

Over the years, BFL's has developed relationships with 13 lenders and raised funds through public sector banks which comprised 49%, private sector banks – 11% and financial institutions – 40%. However, BFL's has concentrated resource base and its funding profile mainly includes terms loans which accounts for 93% of the total borrowings, cash credit – 3% and unsecured loans – 4% as on March 31, 2023. Company's cost of funds ranges between 12% to 13.5% and as on June 30, 2023 it stood at 12.43%.

Liquidity: Adequate

As on June 30, 2023, the company had adequate liquidity position with no cumulative mismatches in all time buckets. BFL reported cash and cash equivalent of ₹8.63 crore as on June 30, 2023. Company has unutilized bank sanction lines in the form of term loans of ₹18.11 crore as on March 31, 2023 and ₹13.84 crore as on June 30, 2023.

Assumptions/Covenants: Not Applicable**Environment, social, and governance (ESG) risks: Not Applicable****Applicable criteria**

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About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Other Financial Services

Baid Finserv Limited (BFL), was established in the year 1991 as a Public Limited Company in Jaipur. It is a Non-Banking Finance Company and received its license in 1998 and since then it is registered with Reserve Bank of India and is presently engaged in a wide gamut of financial services such as Tractor Loans, Commercial Vehicle Loans, Car Loan, Two-Wheeler Loan, SME loans, Loan Against Property and Insurance Services. In 2015, the company started with LAP/SME loans and in 2016 it reached 100 crore AUM. Pursuant to RBI approval and confirmation of availability of new name from Ministry of Corporate Affairs, Office of the Registrar of Companies, Central Registration Centre, Manesar ("CRC"), the Board of Directors of the Company at its meeting held on Wednesday, 04th day of May, 2022 recommended the proposal to change the name of the Company from "BAID LEASING AND FINANCE CO. LTD." to "BAID FINSERV LIMITED". The name BAID FINSERV LIMITED has been duly reserved by the Registrar of Companies. The company had received approval from National Stock Exchange of India Limited for listing of its Equity Shares on NSE Limited.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	June 30, 2023 (UA)
Total operating income	50.05	55.73	18.30
PAT	8.79	10.38	5.61
Interest coverage (times)	1.62	1.79	2.42
Total Assets*	317.68	340.93	346.52
Net NPA (%)	1.05	0.65	0.58
ROTA (%)	2.77	3.15	6.53

A: Audited UA: Unaudited; *net 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
Fund-based-LT/ST		-	-	May 2028	235.00	CARE BBB; Stable / CARE A3

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-LT/ST	LT/ST*	235.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (21-Sep-22) 2)CARE BBB; Stable / CARE A3 (02-Aug-22)	-	-

*Long term/Short term.

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	Fund-based-LT/ST	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.

Contact us

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About us:

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