

Baid Finserv Limited

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	285.00 (Enhanced from 235.00)	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 and adequate earnings profile. The ratings are however, constrained by BFL's moderate asset quality, geographical and product concentration and limited portfolio seasoning. While CARE takes cognisance of the uptick in company's disbursements and diversification efforts over past few quarters, company's ability to scale up assets under management while maintaining asset quality in newer geographies is key monitorable.

Rating sensitivities:

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

- Significant growth in loan portfolio while maintaining profitability
- Significant improvement in the net worth position to fund future growth

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:

Mr. Panna Lal Baid along-with third generation, 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 12 years. The strategic decision making is entirely promoter centric. The promoters are supported by management team with relevant domain experience.

Adequate earnings profile:

BFL's disbursement increased from ₹112.56 crore during FY23 to ₹179 crore during FY24, marking a 59% y-o-y growth on account of expansion in scale of operations. Despite uptick in disbursements, growth in AUM has been less commensurate on account of competition. Company's portfolio yields have moderated from 18.43% during FY23 to 17.13% during FY24 and further to 16.99% during Q1FY25 due to inability to pass on the incremental cost of borrowings because of market competition. Additionally, the focus on better profile customers and lower yielding products have impacted overall yield on portfolio during FY24.

Increase in borrowings from private sector banks and NBFCs over public sector banks has led to increase in company's borrowing cost from 10.70% during FY23 to 11.18% during FY24 and further to 11.78% during Q1FY25, thereby resulting into contraction in NIM from 10.20% during FY23 to 8.28% during FY24 and further to 8.02%. Decline in company's borrowings from banks has been on account of cautious approach of banks towards lending to NBFCs. Given the expansion in the scale of operations, company's branch network and staff head count increased during FY24, thereby resulting in higher opex cost. Opex/ATA, as a result, increased from 5.66% during FY23 to 6.02% during FY24 and further to 7.10% during Q1FY25. Rise in opex was offset by improvement in credit cost, thereby resulting stable ROTA of 3.37% during FY24.

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

The ability of the company to manage its credit costs and profitability while scaling up of operations will continue to remain a key monitorable.

Comfortable capital structure:

Capital adequacy ratio (CAR) of BFL stood at 45.64% as on March 31, 2024 as compared to 50.71% as on March 31, 2023. Overall gearing stood at 1.45 times as on March 31, 2024 as against 1.10 times as on March 31, 2023. Going forward, gearing levels are expected to remain below 3.00 times over the medium term.

Key weaknesses

Moderate, albeit improving geographical and product concentration:

While disbursements have grown at 3 year CAGR of 34%, AUM growth has been lower on account of competitive pressures. The LAP/SME loan portfolio contributes to around 80.35% of the overall mix as on March 31, 2024 as against 92.71% as on March 31, 2023 [Mar-22: 93.24%], whereas the vehicle segment contributes 19.65% as on March 31, 2024 as against 7.29% as on March 31, 2023 [Mar-22: 6.76%].

In last fiscal, the company has diversified its geographical composition and currently has a presence in 3 states – Rajasthan, Gujarat and Madhya Pradesh. However, Rajasthan continued to dominate majority of the portfolio with the share of 86.44% as of March 31, 2024, [P.Y: 100%].

While CARE takes cognisance of the uptick in company's disbursements and diversification efforts over past few quarters, company's ability to scale up assets under management while maintaining asset quality in newer geographies is key monitorable.

Moderate asset quality and exposure to relatively riskier borrower segment:

The company has moderate asset quality parameters; Gross NPA% and Net NPA% stood at 2.61% and 0.36% as on March 31, 2024 as against 2.90% and 0.65% as on March 31, 2023 (NPA recognition is 150+dpd). The company increased provisioning cover to 36.16% as on March 31, 2024 from 32.34% as on March 31, 2023.

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.

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.

Concentrated resource profile:

BFL's has concentrated resource base and its funding profile mainly includes terms loans which accounts for 95% of the total borrowings, cash credit – 4% and unsecured loans – 1% as on March 31, 2024. BFL has raised funds through public sector banks which comprised 33%, private sector banks – 26% and financial institutions – 41%. Increase in borrowings from private sector banks and NBFCs over public sector banks has led to increase in company's borrowing cost from 10.70% during FY23 to 11.18% during FY24 and further to 11.78% during Q1FY25.

Liquidity: Adequate

As on June 30, 2024, the company had adequate liquidity position with no cumulative mismatches in all time buckets. BFL reported cash and cash equivalent (unencumbered) of ₹7.79 crore as on June 30, 2024 and receivable from loan book (including interest) ₹188.54 crore as against the debt repayment obligation (including interest) of ₹131.63 crore for next one year. Company has unutilized bank sanction lines ₹7.33 crore as on June 30, 2024.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic 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 LAP/SME Loans, Vehicle loans. In 2015, the company started with LAP/SME loans and in 2016 it reached 100 crore AUM. The Company is classified under "Base Layer" pursuant to Master Direction- Reserve Bank of India (Non Banking Financial Company- Scale Based Regulations) Directions, 2023.

The AUM of the company stood at ₹368 crore as on March 31, 2024 and ₹305 crore as on March 31, 2023 as against ₹ 270 crore as on March 31, 2022.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	55.73	66.36	19.35
PAT	10.38	12.92	3.12
Interest coverage (times)	1.79	1.78	1.58
Total Assets*	340.93	425.96	427.74
Net NPA (%)	0.64	0.36	0.37
ROTA (%)	3.15	3.37	2.92

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

Detailed explanation of covenants of rated instrument / facility: 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 and Rating Outlook
Fund-based-LT/ST		-	-	-	285.00	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 2024-2025	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
1	Fund-based-LT/ST	LT/ST	285.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (04-Oct-23)	1)CARE BBB; Stable / CARE A3 (21-Sep-22) 2)CARE BBB; Stable / CARE A3 (02-Aug-22)	-

LT: Long term; ST: Short term; LT/ST: 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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