

Baid Finserv Limited (Revised)

September 21, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	185.00 (Enhanced from 25.00)	CARE BBB; Stable / CARE A3 (Triple B ; Outlook: Stable/ A Three)	Reaffirmed
Total Bank Facilities	185.00 (₹ One Hundred Eighty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Baid Finserv Limited (BFL) derives strength from the comfortable capitalization leading to moderate gearing levels for the company. The rating further derives strength from BFL's secured nature of portfolio and comfortable earnings profile. The ratings also take into consideration the experienced promoters with strong domain knowledge.

The ratings are however, constrained by BFL's moderate asset quality, geographical concentration of its operations with majority operations in in Rajasthan and limited seasoning of the portfolio.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Significant and sustained increase in scale and diversification across geographies
- Improvement in GNPA (below 1%) and profitability metrics on a sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the asset quality (GNPA > 4%), on a sustained basis, thereby impacting its profitability
- Increase in the gearing levels beyond 3x.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters with strong domain knowledge

BFL has been promoted by Mr. Panna Lal Baid (present Chairman & Managing Director) who had experience in the textile sector for 17 years prior to promoting BFL in 1987. The company was earlier involved in the financing of new vehicles and used vehicles segment and since 2015 forayed into loan against property (LAP) financing. During FY20, Reserves and Surplus of the Company has been increased by Rs. 80.93 Cr, pursuant to amalgamation of company with Jaisukh Developers Private Limited and Sky-View Tie Up Private Limited.

Presently, 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 10 years. The strategic decision making is entirely promoter centric. Apart from that BFL has experienced management team with experience of 5 to 10+ years within the industry or with the company handling credit appraisal, operations, and financial aspects.

Comfortable earnings profile

BFL's average yield on portfolio ranges around 18.5%, which against average borrowings cost of 12.5% gives a spread of 6.5%. BFL's cost of funds have improved last year on account of low interest rate regime and also because BFL has shifted more towards borrowing from banks in FY22, although the net interest income is maintained at similar levels.

As on March 31, 2022, BFL reported PAT of Rs. 8.79 crore (up 17.48% Y-o-Y) on a total income of Rs. 50.04 crore as compared to a PAT and total income of Rs. 7.48 crore and Rs. 54.11 crore respectively in FY21. The rise in profitability was due to lower operating expenses and interest expenses. Consequently, return on total assets (RoTA) and return on Net-worth (RoNW) of the company improved to 2.77% and 6.2% respectively as on March 31, 2022. As on June 30, 2022, BFL reported a PAT of Rs. 2.42 cr for Q1FY23 as against PAT of Rs 1.59 crore same period last year.

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

Improvement in leverage with comfortable capitalization

The reported capital adequacy ratio (CAR) of BFL stood at comfortable level of 51.01% as on March 31, 2022, improved from 47.35% as on March 31, 2021, mainly on account of increase in Tier 1 capital to 48.96% in FY22 from 45.80% in FY21. BFL is adequately positioned to support growth of its business over the medium term. The gearing policy is conservative, and the management intends to keep the gearing below 3 times over the medium term on a steady-state basis (1.1 times as on March 31, 2022). Further, as on June 30, 2022 CAR stood at 52.99%.

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

The LAP portfolio/SME loans (secured) contributes around 93.24% towards the total loan portfolio, whereas the contribution from the vehicle loan (secured) segment has declined from 16% in FY18 to 6.76% in FY22. Accordingly, the company is exposed to product concentration. Further, its operations (100% of total o/s loan portfolio) are concentrated in Rajasthan, exposes the company to the risk of concentration to a specific geographical area. BFL has a total of 32 branches as on March 31, 2022. Going forward BFL envisages diversifying its loan book in different geographies, by opening new branches in, Gujarat and Madhya Pradesh. However, BFL has secured portfolio for vehicle financing as well as LAP which is secured in the form of mortgage of mainly residential self-occupied property.

Moderate scale of operations with moderate seasoning

BFL is engaged in LAP/SME and vehicle loans. The size of operations of BFL though improved, remained moderate marked by its outstanding loan portfolio of Rs. 266.53 crore and total AUM size of Rs. 263.15 crore as on March 31, 2022 as compared to outstanding loan portfolio of Rs. 268.45 crore and total AUM size of Rs.249.05 crore as on March 31, 2021. This is due to a de-growth in the vehicle loan book as company was following cautious approach towards the covid-hit segments. Even though BFL has disbursed around Rs. 82.81 crore in FY22, the AUM didn't grow substantially as every month around 30- 35 customers get their loans closed due to pre closure as they get taken over by larger banks or NBFC's in about 2 to 3 years from disbursement. The AUM as on June 30, 2022 stood at Rs. 272.66 crore

Further, the company started with LAP/SME product profile in 2015 and although its average tenor is 7 years its asset quality performance through different economic cycles and geographies is yet to be established.

Moderate asset quality

BFL follows 180 days past due (dpd) for NPA recognition. Its asset quality remained moderate with gross NPA at 3.34% as on March 31, 2022 (NPA stood 1.05% considering provisions on all 3 stages as on March 31, 2022). The company increased the provisioning for FY22 as it stood at 28.94% as on March 31, 2022 as against 19.13% as on March 31, 2021. The collection efficiency also improved averaging around 94% post October 2021. GNPA stood at 3.16% as on June 30, 2022. Going forward, company's ability to scale up the loan book along with maintaining asset quality remain a key rating sensitivity.

Liquidity: Adequate

The ALM of the company as on June 30, 2022, showed no negative cumulative mismatches in any of upto 5 year of the buckets. As on July 31, 2022, cash and bank balance and liquid investments stood at Rs. 6.14 crore with unutilized credit lines of Rs. 9.54 crore as against total debt obligations of Rs. 24.17 crore for next 3 months. The company's collections are also comfortable with collection efficiency being at +90% for the Q1FY23.

Analytical approach: Standalone**Applicable criteria**

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology: Non-Banking Financial Companies](#)

[Policy on Withdrawal of Ratings](#)

[Financial ratios – Financial Sector](#)

About the company

Baid Finserv Limited (BFL), 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 vehicle financing and loan against property.

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 of the Company has been changed from "Baid Leasing and Finance Co. Ltd." to "Baid Finserv Limited" on July 08, 2022, pursuant to approval of Ministry of Corporate Affairs (MCA). Further, same was updated in the records of Reserve Bank of India (RBI), Stock Exchange (i.e. BSE Ltd.), other authorities, agencies and relevant stakeholders.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	FY22 (A)	Q1FY23 (A)
Total income	62.79	54.11	50.04	13.76
PAT	7.61	7.49	8.78	2.42
Interest coverage (times)	1.33	1.43	1.62	1.72
Total Assets	340.42	316.38	317.68	307.91
Net NPA (%)	1.97	1.67	1.05	0.83
ROTA (%)	2.26	2.28	2.77	3.10

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	185.00	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	-	-	-	-	-	-	1)CARE BBB-(CWD) (09-Sep-19) 2)Withdrawn (09-Sep-19)

								3)CARE BBB-(CWD) (05-Apr-19)
2	Fund-based-LT/ST	LT/ST*	185.00	CARE BBB; Stable / CARE A3	1)CARE BBB; Stable / CARE A3 (02-Aug-22)	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
I. Maintenance of capital adequacy ratio	Capital adequacy of >16% or as per the regulatory requirement as prescribed by RBI, whichever is higher.
II. Leverage	Debt/TNW not more than 6 times

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based-LT/ST	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on 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

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Niketa Kalan
Phone: +91-22-6754-3456
E-mail: Niketa.Kalan@careedge.in

Relationship contact

Name: Deepak Purshottambhai Prajapati
Phone: +91-79-4026 5656
E-mail: deepak.prajapati@careedge.in

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