

Baid Leasing and Finance Co. Ltd.

April 05, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	45.00	CARE BBB- (Triple B Minus) (Credit watch with developing implications)	Continues on credit watch with developing implications
Total facilities	45.00 (Rupees Forty Five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Baid Leasing & Finance Co. Ltd. (BFL) continues to remain on 'credit watch with developing implications' on account of impending possible impact of the amalgamation of Jaisukh Developers Pvt. Ltd. and Skyview Tie Up Pvt. Ltd. with BFL. Final order for approval of scheme of amalgamation is pending from the Hon'ble National Company Law Tribunal, Principal Bench at Jaipur (NCLT). CARE envisages impact of the same on the financial profile of BFL with expected increase in tangible net-worth.

The rating to the bank facilities of Baid Leasing and Finance Co. Ltd. (BFL) continue to derive strength from the long experience of the promoters in the financing industry, growth in scale of operations in FY18 (for period April 1 to March 31) as well as 9MFY19 (for period April 1 to December 31), diversified product portfolio, moderate capital adequacy, adequate MIS and internal control systems, moderate liquidity position and expansion of resource base over a period of time. The rating also derives strength from long-standing track record of BFL in the auto financing segment with primarily secured nature of portfolio.

The ratings, however continues to remain constrained on account of its moderate earnings profile, low seasoning of loan portfolio, moderate capital structure and asset quality with high geographical concentration.

BFL's ability to increase its scale of operations with greater geographical as well as resource base diversification while improving its asset quality and capital structure are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: 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 BLFL in 1987. The company was earlier involved in the financing of new and used vehicles financing but over the period it has shifted its focus to the loan against property (LAP) financing. The strategic decision making is entirely promoter centric. Also third generation of Baid Family, Mr. Aman Baid and Mr. Aditya Baid, have joined the company and are driving growth in the scale of the company.

Long track record of operations albeit lower seasoning of loan portfolio: BFL has established track record of more than 20 years, Over the years, BFL has built a large customer base with active customers being 6624, leading to substantial repeat business with lesser effort. Also, it has built decent employee strength of 145 including professional team of top management as on December 31, 2018. Further, over a period of time, BFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements. However, a large proportion of its loan book was built recently for which the seasoning is low and the performance of the recently built portfolio needs to be observed in the future.

Moderate scale of operations though significant improvement in loan portfolio with broader resource base: BFL commenced its operations in 1992 but its scale of operations has remained moderate although the same has grown significantly in the last three years. BFL's outstanding portfolio has increased by around 54.33% to Rs.220.13 crore as on March 31, 2018 compared to Rs.142.64 crore as on March 31, 2017. Further, BFL's loan portfolio has increased to Rs.277.82 crore as on December 31, 2018. BFL reported growth of 44.45% in its total income to Rs.41.04 crore in FY18 compared to Rs.28.41 crore in FY17 upon considerable growth in its loan portfolio. BFL is gradually increasing its resource base and currently enjoys facilities from banks as well as financial institutions.

Adequate internal control and MIS system: BFL is using Jaguar system for online monitoring of all loan accounts and generation of required MIS reports. Also, it takes care of accounting and financial reporting. BFL has an established monitoring structure for overseeing its current operations

Key Rating Weaknesses

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Moderately diversified loan portfolio though geographical concentration of operations: The loan portfolio is moderately diversified with LAP comprising 84.73% of total O/s as on December 31, 2018 and remaining portion is vehicle financing mainly on account of increase in disbursement in LAP to 81.46% of total disbursement during FY18. This shields the company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent.

BFL has presence mainly in Rajasthan with 100% of total outstanding portfolio as on March 31, 2018 and December 31, 2018 being concentrated in Rajasthan with majority of portfolio being concentrated in Jaipur and surrounding region.

Moderate asset quality and capital structure and profitability: BFL's NIM has deteriorated by 288 bps during FY18 as compared to FY17 on account of increase in interest expenses on account of debt funded portfolio expansion. ROTA has marginally deteriorated to 2.64% during FY18 as compared to 2.93% in FY17 in line with decline in NIM.

Overall gearing of BFL has deteriorated to 5.31 times as on March 31, 2018 as compared to 3.26 times as on March 31, 2017 as debt taken to fund the expansion of loan portfolio. Gross NPA and Net NPA of total loan portfolio at 3.84% (NPA recognition for dues more than 180 days for LAP portfolio and more than 360 days for Hire purchase portfolio) and 3.23% respectively as on March 31, 2018. Further, Net NPA to Net worth remained moderate at 17.84% as on March 31, 2018. Gross NPA and Net NPA have improved to 3.21% and 2.64% respectively as on December 31, 2018 with Net NPA to Net worth being 15.59%. However, 180+ dpd remained high at 3.30% as on December 31, 2018.

Moderate capital adequacy ratio: The capital adequacy ratio (CAR) of BFL has deteriorated during FY18 mainly due to debt taken to fund the expansion of loan portfolio resulting in deterioration in CAR to 22.72% as on March 31, 2018. However, the CAR has improved to 23.34% as on December 31, 2018. Further, BFL is in process to merge the two group companies i.e. Skyview Tie-up Pvt. Ltd. and Jaisukh Developers Pvt. Ltd. which is envisaged to improve overall Net-worth and CAR of the combined entity. The same is envisaged to support the growth in scale of its operations in future.

Liquidity Analysis: Liquidity position of BFL as on December 31, 2018 has been moderate with working capital limit utilization remaining moderate at 88% for 12 months ending Jan 31, 2019. BFL has comfortable ALM as on December 31, 2018 with no cumulative mismatch in any bucket. BFL has unavailed sanctioned amount of Rs.10 crore as on March 29, 2019 and around Rs.45 crore of proposals are under process which is envisaged to be received in April, 2019.

Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

Analytical approach: None

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Non-banking Financial Companies](#)

[Financial Sector Ratios](#)

About the Company

Baid Leasing & Finance Company Ltd. (BFL), Jaipur based Non-Deposit taking NBFC, is engaged in the financing of passenger, multi-utility and commercial vehicles apart from financing of loan against property (LAP) to self-employed segment and government employees. BFL was formed as a public limited in 1991 by Mr. Panna Lal Baid. Subsequently, the company got listed on BSE platform in 1995 and got license from RBI to operate as NBFC in March, 1998. Head office of BFL is situated in Jaipur and most of the business is concentrated in semi-urban and rural areas of near periphery of Jaipur districts of Rajasthan.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	28.41	39.06
PAT	3.97	5.67
Interest coverage (times)	1.52	1.46
Total Assets	158.87	270.78
Net NPA (%)	2.04	3.23
ROTA (%)	2.93	2.64

Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	45.00	CARE BBB- (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	25.00	Suspended	-	-	-	1)Suspended (31-Aug-15)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB- (Under Credit watch with Developing Implications)	1)CARE BBB- (Under Credit watch with Developing Implications) (03-Apr-18)	1)CARE BBB- (Under Credit watch with Developing Implications) (03-Oct-17)	1)CARE BBB-; Stable (01-Mar-17)	-

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