Baid Leasing and Finance Co. Ltd.

October 03, 2017

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	45	**CARE BBB- (Triple B Minus) (Credit watch with developing implications)**	**Placed on credit watch with developing implications**
Total facilities	**45 (Rupees Forty Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the above-mentioned bank facilities of Baid Leasing & Finance Co. Ltd. (BFL) have been placed 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. In order dated July 04, 2017 and further, rectified vide order dated August 01, 2017, the Hon'ble National Company Law Tribunal, Principal Bench at New Delhi (NCLT) has approved the scheme of amalgamation and further directed to arrange the meeting of secured creditors of Baid Leasing & Finance Co. Ltd. as per the scheme. 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, continuous increase in scale of operations, diversified product portfolio, moderate capital adequacy 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 rating, 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 and nascent MIS System.
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 finance industry from association with BFL from 1987. Apart from that BFL has experienced management team with experience of 2-10 years with the company handling credit appraisal, operations and financial aspects.

Long track record of operations albeit low seasoning of loan portfolio: BFL has a long track record of more than 20 years in the industry. Over the years, BFL has built a large customer base with active customers being more than 5000, leading to substantial repeat business with lesser effort. 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 has grown significantly in the last two years with increase in outstanding portfolio by around 61.49% to Rs.93.36 crore as on March 31, 2016 compared to Rs.57.81 crore as on March 31, 2015. BFL reported growth of 111.29% in its total income to Rs.18.15 crore in FY16 compared to Rs.8.59 crore in FY15 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.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Key Rating Weaknesses

Moderately diversified loan portfolio though geographical concentration of operations: The loan portfolio is moderately diversified with LAP comprising 57.95% of total O/s as on Sept 30, 2016 and Vehicle financing comprising the balance. 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 only one state with 100% of total outstanding portfolio as on March 31, 2016 and September 30, 2016 being concentrated in Rajasthan.

Moderate asset quality and capital structure with moderate profitability: BFL's Net Interest Margin (NIM) has improved during FY16 as there was higher increase in portfolio during H1FY16 as compared to the higher increase in loan portfolio in H2FY15. ROTA has improved during FY16 as compared to FY15 due to improvement in profitability on account of lower interest expenses. Overall gearing and Capital Adequacy ratio (CAR) of BFL has deteriorated as on March 31, 2016 due to availment of higher debt to increase its loan portfolio. However, Overall gearing and CAR have improved as on September 30, 2016 after infusion of Rs.16.22 crore as equity by the promoters and private corporate bodies. The company's asset quality has remained moderate with Gross NPA and Net NPA of total loan portfolio at 1.93% (NPA recognition for dues more than 180 days for LAP portfolio and more than 360 days for Hire purchase portfolio) and 1.54% respectively as on March 31, 2016.

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: Standalone

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 through hire purchase route 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, Jhunjhunu, Sikar and Nagaur districts of Rajasthan.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	18.25	28.52
PAT	2.63	3.86
Interest coverage (times)	1.70	1.51
Total Assets	104.74	158.87
Net NPA (%)	1.54	2.04
ROTA (%)	3.11	2.93

Status of non-cooperation with previous CRA: None

Any other information: None

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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About CARE Ratings:

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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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	25.00	Suspended	-	-	1)Suspended (31-Aug-15)	1)CARE BB- (24-Sep-14)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB- (Under Credit watch with Developing Implications)	-	1)CARE BBB-; Stable (01-Mar-17)	-	-

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