

Baid Leasing and Finance Company Limited

April 03, 2018

Ratings

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

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the above-mentioned bank facilities of Baid Leasing & Finance Co. Ltd. (BFL) continue 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 New Delhi (NCLT). CARE envisages impact of the same on the financial profile of BFL with expected increase in tangible net-worth.

The rating assigned 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 with improvement in asset quality in FY17 and 9MFY18, diversified product portfolio, adequate MIS System 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 capital adequacy ratio 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 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 improvement in loan portfolio with broader resource base: BFL's outstanding portfolio has increased by around 52.78% to Rs.142.64 crore as on March 31, 2017 compared to Rs.93.36 crore as on March 31, 2016. Further, BFL's loan portfolio has increased to Rs.207.49 crore as on December 31, 2017. BFL reported growth of 56.51% in its total income to Rs.28.41 crore in FY17 compared to Rs.18.15 crore in FY16 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.

Moderate asset quality: With the robust collection mechanism and conservative loan policy, NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio at 2.55% (NPA recognition for dues more than 180 days for LAP portfolio and more than 360 days for Hire purchase portfolio) and 2.04% respectively as on March 31, 2017. Gross NPA and Net NPA have improved to 1.66% and 1.32% respectively as on December 31, 2017 with Net NPA to Net worth being 6.69%. However, 180+ dpd remained high at 4.20% as on March 31, 2017 (5.18% as on March 31, 2016) though the same has improved to 2.04% as on December 31, 2017.

Key Rating Weaknesses

Diversified loan portfolio though geographical concentration of operations: The loan portfolio is diversified with LAP comprising 80.18% of total O/s as on December 31, 2017 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.

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

BFL has presence only in one state with 100% of total outstanding portfolio as on March 31, 2017 and December 31, 2017 being concentrated in Rajasthan.

Moderate CAR and capital structure with moderate profitability: BFL's NIM has deteriorated during FY17 to 12.50% from 14.47% during FY16 on account of increase in interest expenses on account of debt funded portfolio expansion. ROTA has marginally deteriorated to 2.93% during FY17 as compared to 3.11% in FY16 in line with decline in NIM. Overall gearing has deteriorated to 4.39 times as December 31, 2017 as compared to 3.26 times as on March 31, 2017 due to increase in debt. BFL's CAR stood at moderate level of 23.07% as on March 31, 2017 (16.19% as on March 31, 2016).

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

A: Audited

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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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 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- (Under Credit watch with Developing Implications) (03-Oct-17)	1)CARE BBB-; Stable (01-Mar-17)	-	-

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