



Rating Rationale

Baid Leasing and Finance Co. Ltd.

20 Aug 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 218.78 Crores (Enhanced from Rs. 50.00 Crs) of Baid Leasing and Finance Co. Ltd.

Particulars

Facility	Previous Amount	Amount (₹ Crs)	Tenure	Previous Rating	Rating*
Fund based	50.00	218.78	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable) [Reaffirmation]
Total	50.00	218.78	INR Two Hundred Eighteen Crores & Seventy-Eight Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY19, publicly available information and information/ clarifications provided by the Company's management.

The rating takes into consideration the domain knowledge of the management team, steady improvement in the overall financials over the period of last three years, comfortable liquidity position, comfortable capital adequacy and good asset quality. Rating also takes into account the ongoing development as the company is in process of amalgamating two other entities namely Jaisukh Developers Pvt. Ltd. and Skyview Tieup Pvt. Ltd., which will help the company strengthen its tangible net worth. The rating, however, is constrained by small scale of operations, geographical concentration, rising cost of borrowing and difficult market scenario.

Going forward, the company's ability to sustain the growth in AUM & business volumes along with smooth timely amalgamation of the three companies into a new entity will remain key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Steady improvement in the financials of BLFCL:** AUM of the company has grown from Rs. 142.64 Crs as on 31st March 2017 to more than Rs. 280 Crs as on 31st March 2019. In line



with the growth in AUM, Interest income for the company has also grown at a CAGR of ~40% since 2017. Also, the company has successfully passed on the increase in revenue to the bottom line as well. PAT for the company increased from Rs. 5.67 Crs in FY18 to Rs. 7.85 Crs in FY19, an RoA of 2.59% in FY19. PAT for FY17 stood at Rs. 3.97 Crs. ROE for the company also improved from 14.76% during FY18 to 17.80% during FY19.

- **Amalgamation of the three entities:** The company is in the process of amalgamating two of the other entities namely Jaisukh Developers Pvt. Ltd. and Skyview Tieup Pvt. Ltd. with Baid Leasing & Finance Co Ltd. This will help the company strengthen its tangible net worth to around Rs. 120.00 Crs. Considering no pending objections from any of the statutory bodies, the court has reserved the order. Final copy of the same is expected within this month itself. Post amalgamation, the gearing will improve from 5.64 times as on 31st March 2019 to fall in range of 2x – 2.5x.
- **Comfortable Capital Adequacy Ratio:** Capital adequacy ratio of the company stood at 19.28% with Tier 1 CRAR at 14.90% indicating a comfortable position. CRAR is expected to increase further once the Amalgamation between the three entities takes place. This will provide company enough scope to grow in the medium term.
- **Moderate asset quality:** - Gross NPA for the company came down from 3.84% as on 31st March 2018 to 3.06% as on 31st March 2019. Out of more than 10,000 cases disbursed during last four years, the company has reported only 4 cases of fraud. Also, none of the fraud cases were reported during FY18 & 19 indicating a robust system in place. While in LAP loan segment, majority of the clients are new to company, it tries to maintain the asset quality through maintaining low LTV of below 50%

Credit Risks:

- **Small scale of operations:** Considering more than 20 years of operations, the company still has small scale of operations with an AUM of around Rs. 282 Crs. Since beginning of operations, the company has been in used vehicle loan segment (Especially Tractors, Cars, Light Commercial Vehicles and Heavy Commercial Vehicles). In 2013, the company entered into Loan against property business that helped it grow at a faster pace. Out of the total portfolio, around 85% of the portfolio consists of LAP loans and remaining vehicle loans.
- In addition, the company has a good repeat business in vehicle finance segment with around 50% - 60% of the customers being repeat customers whereas in case of business loans, majority of the customers are new customers with minimal credit history. This risk is partially offset by low LTV of below 50%.
- **High Geographical Concentration:** The total portfolio of the company is concentrated in the state of Rajasthan, which exposes the company to geographic concentration risk. The company has presence across the state covering most of the major districts in Rajasthan. Further, the company has plans to enter Madhya Pradesh by end of FY20. The company is in process of conducting due diligence.



- **Rising cost of borrowing:** Cost of borrowing for the company has considerably increased from 8.93% for FY18 to 10.28% for FY19, which is due to ongoing turmoil in the financial sector. Net interest Margin has reduced marginally from 11.46% in FY18 to 11.17% in FY19.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Baid Leasing and Finance Co. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Baid Leasing & Finance Company Ltd (BLFCL), a non-deposit accepting - NBFC, is a public limited company incorporated on 20 Dec 1991. Company is headquartered in Jaipur, Rajasthan. BLFCL got its NBFC license from RBI on 11 Mar 1998.

Company mainly focuses on SME loans including LAP and used vehicle financing (Tractors/Cars/Light Commercial Vehicles/Heavy Commercial Vehicles) in semi urban and rural areas of Rajasthan. SME loans are normally provided for a period of 36-120 months and used vehicle financing for a period of 12 to 48 months. Company is operating through its 31 branches and 7 agency offices located at semi urban areas spread across. AUM of the company stood at Rs. 291 Crs. at the end of June 19.

Company Financial Performance

The company reported net income from operations of Rs. 29.74 Crs with a PAT of Rs. 7.85 Crs in FY19 as compared to net income of Rs. 22.84 Crs and PAT of Rs. 5.67 Crs during FY18.

Key Financial Figures			
Particulars	Unit	FY18(Audited)	FY19(Audited)
Gross AUM	Rs. Crores	220.13	282.77
Gross NPA	%	3.84%	3.06%
Net NPA	%	3.23%	2.65%
Net Interest Income	Rs. Crores	21.29	28.96
PAT	Rs. Crores	5.67	7.85
Equity & Reserves	Rs. Crores	40.47	47.71

CRAR	%	16.32%	19.28%
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Rating History for the last three years

S.No	Instrument /Facility	Current Rating 19 Aug 2019			Rating History				
		Type	Amount (₹ Crs)	Rating	12 Aug 2019	July 2019	2018	2017	2016
		Fund Based							
1.	Cash Credit	Long Term	45.00	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable [Reaffirmation]	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BB+ (BWR Double B Plus) (Outlook: Stable) Withdrawn	NA	Rating Not Reviewed, assigned in October 2015.	NA
2.	Term Loan		173.78						
	Total		218.78	₹ INR Two Hundred Eighteen Crores & Seventy-Eight Lakhs Only					

Status of non-cooperation with previous CRA (if applicable)-NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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