

Shri Aman Baid
Executive Director
Baid Finserv Limited
BAID HOUSE, 2nd Floor,
1, Tara Nagar, Ajmer Road,
Jaipur
Rajasthan 302006

September 19, 2022

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY22 (Audited) and Q1FY23 (Audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating¹	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 Facilities	185.00 (Rs. One Hundred Eighty- Five Crore Only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure II**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 22, 2022, we will proceed on the basis that you have no any comments to offer.
4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.
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5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Kajal Shah

Kajal Shah
Analyst
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Niketa Kalan
Associate Director
Niketa.Kalan@careedge.in

Encl.: As above

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Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure 1

Details of Rated Facilities

1. Long Term / Short Term Facilities

1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	State Bank of India	44.00
2.	UCO Bank	26.67
3.	IDFC First Bank Ltd.	18.47
4.	Maanaveeya Development & Finance Pvt. Ltd.	18.30
5.	National Bank for Agriculture and Rural Development	10.00
6.	Shriram Transport Finance Company Limited	8.30
7.	MAS Financial Services Ltd.	3.13
8.	Cholamandalam Investment and Finance Company Ltd.	3.00
9.	Muthoot Capital Services Ltd.	1.46
10.	IndusInd Bank Ltd.	0.52
11.	Avanse Financial Services Ltd.	0.30
12.	Proposed	50.85
	Total	185.00

Total Long Term / Short Term Facilities : Rs.185.00 crore

Total Facilities (1.A) : Rs.185.00 crore

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**Annexure II
Draft Press Release
Baid Finserv Limited**

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ²	Rating Action
Long Term / Short Term Bank Facilities	185.00 (Enhanced from 25.00) (Rupees One hundred and Eighty Five only)	CARE BBB; Stable / CARE A3 (Triple B; Outlook: Stable/ A Three)	Reaffirmed
Total Bank Facilities	25.00 (₹ One hundred and Eighty Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & 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, individually or collectively, lead to a review for 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, individually or collectively, lead to a review for 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

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, 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

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
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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 recently 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. 2.24 cr for Q1FY23 as against PAT of Rs 1.7 crore same period last year.

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.

Analytical approach: Standalone

Liquidity position - 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.

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Applicable Criteria
[Rating Outlook and Credit Watch](#)
[CARE's Policy on Default Recognition](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[Rating Methodology- Non-Banking Finance Companies](#)
[Financial ratios – Financial Sector](#)
[Short Term Instruments](#)
About the Company

Baid Finserv Limited (BFL), established and came into existence 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 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	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bank Facilities-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

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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 (August 02, 2022)	-	-	-

*Long term/Short term.

Annexure 3: Detailed explanation of covenants of the rated instrument / 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.	Bank facilities- Fund based- LT/ST	Simple

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