

BAID LEASING AND FINANCE CO. LIMITED

Brickwork Ratings reaffirms the ratings at ‘BWR BBB’/Stable for the Bank Facilities of Baid Leasing and Finance Co. Limited

Particulars

Facility **	Amount Rated (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (20 August 2019)	Present
Bank Facilities (Fund Based)	218.78	175.24[^]	Long Term	BWR BBB/ Stable	BWR BBB/ Stable (Reaffirmed)
Total	218.78	175.24	Rupees One Hundred Seventy Five Crores Twenty four Lakhs Only		

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

[^] The rated amount is reduced on account of the repayment of term loans

** Details of bank facilities are provided in Annexure I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms ‘BWR BBB’/Stable for the bank loan facilities of Baid Leasing and Finance Co. Ltd. (BLFCL or the company), as tabulated above. The ratings continue to factor in the company’s comfortable capitalisation, moderate profitability and adequate liquidity. The rating is, however, constrained by the small scale of operations, geographic concentration and average asset quality.

KEY RATING DRIVERS

Credit Strengths

Comfortable capitalisation: The company is comfortably capitalised, with a tangible net worth of Rs 129.93 Crs and capital adequacy ratio (CRAR) of 40.82% as on 31 March 2020. The company completed the process of the amalgamation of two investment entities, Jaisukh Developers Pvt. Ltd. and Skyview Tieup Pvt. Ltd. with Baid Leasing & Finance Co. Ltd. during FY20. This has resulted in a substantial increase in the tangible net worth to Rs 129.93 Crs as on 31 March 2020 from Rs 49.01 Crs as on 31 March 2019. The company's gearing has reduced to 1.45 times as on 31 March 2020. The networth to net NPA cover was high, at 25 times, as on 31 March 2020. BWR believes the company is well-capitalised to pursue growth and also cover for any asset side risks, including those arising due to the COVID-19 crisis, over the medium term.

Moderate profitability: The company has reported moderate profitability, with a return on average assets (ROA) of 2.23% for FY20. The yield on the average portfolio is around 21%, resulting in healthy net interest margins (NIMs). The NIMs stood at 10.26% for FY20 (PY: 10.54%). The operating costs as a % of average assets stood at 5.01% for FY20 (PY: 5.22%). The impairment cost increased to 1.15% during FY20, compared with 0.51% during FY19. BWR believes if there is an asset quality deterioration due to the COVID-19 crisis, with a resultant impact on the credit costs, it may result in some moderation in profitability for FY21.

Credit Risks

Small scale of operations: The company's scale of operations is small, with the total loan portfolio of Rs 267.95 Crs as on 31 March 2020. SME loans account for 85% of the total portfolio, and the remaining 15% constitutes vehicle loans. After 54% growth in the portfolio in FY18 and 28% growth in FY19, the portfolio de-grew by 5% during FY20. The moderation in portfolio growth was due to a dip in disbursements, which was mainly due to funding challenges faced by the company in line with those of the industry. Total disbursements decreased to Rs 73 Crs during FY20, compared with Rs 184 Crs during FY19. The company has extended advances to some related parties. Such advances aggregated to ~ Rs 32 Crs as on 31 March 2020, and the same is expected to be repaid during FY21. This is a key monitorable.

The company has an average resource profile with borrowings largely in the form of term loans from banks and non-banking finance companies (NBFCs). Term loans from banks constituted 37% of the total borrowings, and NBFCs constituted 45% of the total borrowings as on 30 June 2020. The rest was in the form of cash credit facilities. The average cost of borrowing was around 13.50% for FY20. The company's ability to raise additional borrowings and build its loan portfolio will be a key monitorable.



Geographic concentration risk: The company currently operates only in a single state, Rajasthan, which exposes the company to geographic concentration risk. The company had earlier planned to start operations in Madhya Pradesh during FY20. However, the plans were put on hold post the liquidity crisis for NBFCs. The company plans to start operations in Madhya Pradesh and Gujarat once funding challenges are eased and the domestic economic situation improves. Currently, the company has 33 branches across Rajasthan, covering all the major districts.

Average asset quality: The company had average asset quality with gross non-performing assets (NPAs) and net non-performing assets of 3.44% and 1.97%, respectively, as on 31 March 2020. The company's collection efficiency had dipped sharply in April due to COVID-19-related restrictions and the loan moratorium announced by the Reserve Bank of India (RBI); the same improved to around 72% in July 2020. The company's ability to manage asset quality is a key rating monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered BLFCL's standalone performance. BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to steadily grow its portfolio, while maintaining adequate asset quality and profitability will be key rating sensitivity factors.

Positive: The company's ability to grow its loan portfolio and improve its resource raising capability, while maintaining adequate asset quality and profitability are key rating positives.

Negative: A higher-than-expected deterioration in asset quality and reduction in profitability are key rating negatives.

LIQUIDITY POSITION: ADEQUATE

The company has adequate liquidity, with cash and cash equivalents of Rs 3.67 Crs and unutilised cash credit limit of Rs 14.77 Crs as on 31 July 2020. The company's scheduled debt servicing and operating expenses aggregate to ~Rs 75 Crs between August 2020 to March 2021. The company has scheduled collections of ~Rs 105 Crs between August 2020 to March 2021. Even after sensitising collections, the company has sufficient liquidity to meet all its repayment obligations.

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government had announced a 21-day nationwide lockdown on 24 March 2020, which was subsequently extended until 31 May 2020. As per BWR, financial institutions, mainly those lending directly or indirectly to retail low-income borrower segments could be the most impacted.



The 6-month moratorium announced by the Reserve Bank of India on the interest and principal on bank debt has provided some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers as the 6-month moratorium ends and to collect accumulated interest and principal dues on a timely basis after this period will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and publish the same.

COMPANY PROFILE

Baid Leasing and Finance Company Ltd (BLFCL), a non-deposit accepting NBFC, is a public limited company incorporated on 20 December 1991. The company is headquartered in Jaipur, Rajasthan. BLFCL got its NBFC license from the RBI on 11 March 1998. The company mainly focuses on SME loans, including LAP and used-vehicle financing in the semi-urban and rural areas of Rajasthan. Around 85% of the portfolio constituted SME loans, and 15% was vehicle loans.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Income	(in ₹ Cr)	58.39	62.79
Net Profit	(in ₹ Cr)	9.71	7.61
Tangible Net Worth	(in ₹ Cr)	49.01	129.93
Gearing	(in times)	5.49	1.45
Total CRAR	(%)	19.28	40.82
Total portfolio	(in ₹ Cr)	282.77	267.95
Gross NPA	(%)	3.06	3.44
Net NPA	(%)	2.65	1.97

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal & suspended)

S r. N o.	Name of Facility/ Instru ment	Current Rating (2020)			Rating History for the past 3 years							
		Type	Amou nt (Rs. Crs)	Rating	2019		2018		2017			
1	Bank Facilitie s	Long Term	175.24	BWR BBB/ Stable	20.08.2019		NA		NA			
					Lo ng Te rm	218.78	BWR BBB/ Stable					
					12.08.2019		NA		NA			
					Lo ng Te rm	50.00	BWR BBB/ Stable					
2	Cash Credit	--	--	--	18.07.2019							
					Lo ng Te rm	25.00	BWR BB+/ Stable Rating Withdrawn					
Total			175.24		Rupees One Hundred Seventy Five Crores Twenty Four lakhs Only							

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria:

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

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Baid Leasing and Finance Co. Limited

ANNEXURE I - Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs in Crs)	Short Term (Rs in Crs)	Total (Rs in Crs)
1	AU Small Finance Bank	Term Loan	18.97	--	18.97
2	IDFC First Bank Ltd.	Term Loan	25.00	--	25.00
3	Fincare Small Finance Bank	Term Loan	1.60	--	1.60
4	Indusind Bank Ltd.	Term Loan	9.42	--	9.42
5	UCO Bank	Term Loan	6.75	--	6.75
6	SBI	Term Loan	3.00	--	3.00
7	UCO Bank	Cash Credit	14.74	--	14.74
8	SBI	Cash Credit	17.62	--	17.62
9	Avanse Financial Services Ltd.	Term Loan	4.34	--	4.34
10	Manveeya Development And Finance Pvt. Ltd.	Term Loan	3.50	--	3.50
11	MAS Financial Services Ltd.	Term Loan	43.12	--	43.12
12	Muthoot Capital Services Ltd.	Term Loan	6.31	--	6.31
13	Shriram City Union Finance Ltd.	Term Loan	5.23	--	5.23

14	Shriram Transport Finance Ltd.	Term Loan	10.98	--	10.98
15	UGRO Capital Ltd.	Term Loan	3.56	--	3.56
16	Tata Capital Financial Services Ltd.	Term Loan	0.92	--	0.92
17	Yes Bank	Term Loan	0.14	--	0.14
18	Daimler Financial Services	Term Loan	0.04	--	0.04
	Total		175.24	--	175.24

Rupees One Hundred Seventy Five Crores Twenty Four Lakhs Only

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