



Press Release

Best Capital Services Limited

October 04, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00* (enhanced from Rs. 35.00 crore)	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	IVR BBB-/ Stable Outlook (IVR Triple B minus with Stable Outlook)	Upgraded and Outlook Revised	Simple
Total	50.00	Rupees Fifty Crore Only			

*Includes proposed bank facilities of Rs. 35.87 crore.

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook for the bank loan facilities of Best Capital Services Limited (BCSL).

The revision in rating to the above-mentioned bank facilities of Best Capital Services Limited (BCSL) is on account of extensive experience of management, comfortable asset quality and continuous improvement in capital adequacy ratio. However, these strengths are partially offset by geographical concentration, moderate scale of operations, moderate profitability margins and challenging operating environment for NBFCs.

IVR has principally relied on the standalone audited financial results of BCSL upto 31 March 2022 and projected financials for FY23, FY24 and FY25, and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- A significant increase in the scale of operations, without a significant impact on the asset quality.
- Prudent working capital management with improvement in liquidity position.



Press Release

Downward Factors

- Inability to increase the scale of operations and/or significant deterioration in the asset quality, along with a substantial increase in leverage, all on a sustained basis, could result in a negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of management

The company is promoted by Mr. Arun Bagadia (Managing Director) who has more than two decades of experience in finance industry and automobile financing (in operations, collection and legal). The company was taken over by present promoter in 2011 and since then, it has been involved in the financing of auto and CV and has over the years started SME loans (mortgage loans to SMEs) and small ticket personal loans (STPL). Presently, Mr. Arun Bagadia looks after the overall management of the company and is supported by experienced key personnel.

Comfortable Asset Quality

BCSL's asset quality has remained comfortable with Gross NPA% and Net NPA% at 0.44% and 0.40% respectively as on March 31, 2022 which moderately improved further to 0.37% and 0.34% respectively as per Q1FY23 results. The company follows 180+ DPD NPA recognition norm, resulting in lower NPA in the books of accounts. As on March 31, 2022, only 1.25% and 0.40% of the total portfolio aged more than 90 dpd and 180 dpd, respectively.

Continuous Improvement in Capital Adequacy Ratio

The overall CRAR stands comfortable at 32.63% as on March 31st, 2022 when compared to the previous CRAR of 26.91% as on March 31st, 2021. CRAR has been maintained above the minimum required CRAR limit of 15% for NBFCs as per regulatory requirements.



Press Release

Key Rating Weaknesses

Geographical Concentration and Modest Scale of Operations

The scale of the operations of the company remains modest as reflected by its loan portfolio of Rs. 62.91 crore as on March 31, 2022 as against Rs. 57.09 crore on March 31, 2021. In Q1FY23, the total loan asset stood at Rs. 64.52 crore (including managed book the total loan asset book would stand Rs. 82.83 crore). In terms of geographical presence, the entity is operating currently in seven states i.e., Rajasthan, Gujrat, Karnataka, Delhi, Telangana, Maharashtra and Uttar Pradesh. Rajasthan is the main state of operations for the company which accounts for almost 92.79% of the total loan portfolio as per FY22 results. There is high concentration towards one state, the company is exposed to the risk of geographical concentration.

Moderate Profitability

The PAT has shown improvement, however, remained moderate in FY22 at Rs.1.39 crore as against Rs.0.98 crore in FY21. The company reported net interest margin (NIM) of 17.26% in FY22 as against 14.05% in FY21. ROTA stood at 2.41% in FY22 as against 1.79% in FY21. However as per Q1FY23 (unaudited), the company reported PAT of Rs. 1.15 crore. Going forward, if the asset quality levels deteriorate, the profitability is expected to be impacted.

Competitive Nature of Industry

The company is exposed to stiff competition from other varied sized NBFCs. The lending industry focused on NBFC financing of varied ticket size is highly fragmented with unorganized lenders also vying for the same set of borrowers.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Non-Banking Finance Companies](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria for assigning rating outlook](#)



Press Release

Liquidity –Adequate

Liquidity is marked adequate by adequate capital adequacy ratio of 32.63% on March 31, 2022 and 33.38% per the Q1FY23 (Prov.) key figures which is well above the stipulated regulatory norm of 15%. The company's collection efficiency for the last 12 months ended June 2022 has been ~93.00%. The company's working capital utilization remained moderate at ~77.29% for the last 12 months period ended August 2022. Apart from it, the company had cash and cash equivalents of about Rs.9.07 crore as on March 31st, 2022. Overall, liquidity position is expected to be adequate.

About the Company

Best Capital Services Limited is a Non-Banking Finance Company ('NBFC') incorporated in 1995 and having valid Certificate of Registration with Reserve Bank of India ('RBI') under current RBI classification as Non-Banking Finance Company-Non-Deposit Accepting. Registered Office is at located Jaipur, Rajasthan. The company is engaged in mortgage financing and vehicles financing including cars, light commercial vehicle, medium commercial vehicle etc. They operate with 12 branches spread across 8 states in India.

Financials (Standalone):

For the year ended*	(Rs. Crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Income	14.47	15.08
PAT	0.98	1.39
Total Debt	50.32	49.38
Tangible Net worth	19.08	24.82
Total Loan Assets	57.09	62.91
Overall Gearing Ratio (x)	2.64	1.99
GNPA (%)	0.49	0.44
NNPA (%)	0.44	0.40
CAR (x)	26.92	32.63

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dec 16, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	8.00	IVR BBB-/ Stable	IVR BB+/ Positive	-	-
2.	Term Loan	Long Term	6.13 (reduced from Rs. 8.49 crore)	IVR BBB-/ Stable	IVR BB+/ Positive	-	-
3.	Proposed Facilities	Long Term	35.87 (enhanced from Rs. 16.51 crore)	IVR BBB-/ Stable	IVR BB+/ Positive	-	-

Name and Contact Details of the Rating Analyst:

Name: Ms. Shilpa Yadav Tel: (011) 24601142 Email: shilpa.yadav@infomerics.com	Name: Mr. Om Prakash Jain Tel: (011) 24601142 Email: opjain@infomerics.com
--	---

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	8.00	IVR BBB-/ Stable
Long Term Bank Facilities – Term Loans	-	-	-	6.13	IVR BBB-/ Stable
Long Term Bank Facilities – Proposed facilities	-	-	-	35.87	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Best-Capital-Services-oct22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).