



Press Release

Best Capital Services Limited (BCSL)

Oct 14, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	98.61	IVR BBB/ Stable (IVR Triple B /Stable)	IVR BBB/ Stable (IVR Triple B /Stable)	Reaffirmed	Simple
Long Term Bank Facilities – Proposed	51.39	IVR BBB/ Stable (IVR Triple B /Stable)	IVR BBB/ Stable (IVR Triple B /Stable)	Reaffirmed	Simple
Total			150.00		

(Rupees One Hundred and Fifty Crore)

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

As on 23 September 2024, BCSL has requested us to include new facilities sanctioned from ESAF Small Finance Bank and Indian Overseas Bank in the press release along with reclassification of existing facilities as there is reduction in term loans due to periodic repayments. Hence, the outstanding and proposed bank facilities rated by Infomerics have been reclassified.

Infomerics Ratings has reaffirmed the ratings assigned to the bank loan facilities of BCSL as it continues to derive strength from improving scale of operations & total assets under management (AUM), Experienced promoter and management, healthy asset quality and comfortable capitalization. However, the ratings are partially offset by geographical concentration, moderate profitability margins and challenging operating environment for NBFCs.

Infomerics Ratings expects outlook to remain stable on the expectations of growing scale of operations & loan portfolio while maintaining the comfortable financials risk profile.



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Key Rating Sensitivities:

Upward Factors

- Significant and sustained increase in the scale of operations while maintaining healthy - asset quality, capitalization levels, liquidity and profitability.

Downward Factors

- Substantial decline in scale of operations and/or significant deterioration in the asset quality, capitalization levels along with a substantial increase in leverage , could result in a negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoter and management:

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

Healthy Asset Quality:

BCSL's asset quality has remained comfortable with Gross NPA% and Net NPA% of 0.36% (0.45% in FY22) and 0.33% (0.40% in FY22) respectively as on March 31, 2023 (refers to the period 1st April 2023 to 31st March 2024) and remained comfortable at 0.32% and 0.29% respectively as per 9MFY24. The company follows 180+ DPD NPA recognition norm, resulting in lower NPA in the books of accounts. As on March 31, 2023, only 0.88% and 0.38% of the total portfolio aged more than 90 dpd and more than 180 dpd, respectively.



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Comfortable capitalisation:

The overall CRAR stands comfortable at 33.52% as on March 31st, 2023, when compared to the previous CRAR of 32.63% as on March 31st, 2022. CRAR continues to remain comfortable at 30.88% in 9MFY24. CRAR has been maintained above the minimum required CRAR limit of 15% for NBFCs as per regulatory requirements.

Improving the scale of operations :

Total operating income of the NBFC has improved from Rs 15.07 crore in FY22 to Rs 25.88 crore in FY23 on the account of increased own loan portfolio of Rs. 112.24 crore as on March 31, 2023, against Rs. 62.96 crore on March 31, 2022, and it has further grown to Rs 171.05 crore in 9MFY24. As per 9MFY24 (Prov.) results, the company has reported total income of Rs. 38.05 crore as against Rs.15.79 crore over the same previous corresponding period, while total loan portfolio (including managed portfolio) stood at Rs 126.28 Crore in FY23 (Rs 84.92 Crore in FY22) & increased further improved to Rs. 179.03 crore against in 9MFY24.

Key Rating Weaknesses

Geographical Concentration:

Despite having geographical presence in seven states i.e., Rajasthan, Gujrat, Karnataka, Delhi, Telangana, Maharashtra, and Uttar Pradesh, Rajasthan accounts for almost ~78% & ~73% of the total loan portfolio in FY23 and 9MFY24 respectively. There is high concentration towards one state, the company is exposed to the risk of geographical concentration.

Moderate Profitability:

The adjusted PAT has shown improvement, however, remained moderate in FY23 at Rs. 2.13 crore as against Rs.1.39 crore in FY22. The company reported PAT margin of 10.30% in FY23 as against 11.53% in FY22. ROTA remained unchanged at 2.41% in FY23. Going forward, if the asset quality levels deteriorate, the profitability is expected to be impacted.



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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 sizes is highly fragmented with unorganized lenders also vying for the same set of borrowers.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

Liquidity is marked adequate by adequate Capital adequacy ratio of 33.52% on March 31, 2023, and 30.88% per the 9MFY24 which is well above the stipulated regulatory norm of 15%. The company's current months collection efficiency for the last 10 months ended Jan 2024 has been ~97%. The company's working capital utilization remained moderate at ~78% for the last 12 months period ended Jan 2024. Apart from it, the company had free cash and cash equivalents of about Rs. 13.36 crore as on March 31st, 2023. 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 20+ branches spread across 7 states in India.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	25.88	52.77
PAT	2.66	3.87
Total Debt	103.05	219.66
Tangible Net worth	42.35	62.36
Total Loan Assets	116.75	205.57
Ratios		
NIM (%)	18.83	17.18
ROTA (%)	2.41	1.78
Total CAR (%)	33.52	30.32
Gross NPA [Stage III] (%)	0.36	0.32
Net NPA [Stage III] (%)	0.33	0.27

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years				
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					18 March, 2024	17 Oct, 2023	30 Dec, 2022	04 Oct, 2022	16 Dec, 2021
1.	Long Term Bank Facilities	Long Term	98.61	IVR BBB / Stable	IVR BBB / Stable	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Stable	IVR BB+ / Positive



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					18 March, 2024	17 Oct, 2023	30 Dec, 2022	04 Oct, 2022	16 Dec, 2021
2.	Long Term Bank Facilities – Proposed	Long Term	51.39	IVR BBB / Stable	IVR BBB / Stable	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Stable	IVR BB+ / Positive

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities	-	-	-	Valid till May 2029	98.61	IVR BBB / Stable
Long Term Bank Facilities – Proposed	-	-	-	-	51.39	IVR BBB / Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BestCapital-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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 www.infomerics.com.