



Press Release

Best Capital Services Limited

March 20, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facility*	150.00	IVR BBB/ Stable (IVR Triple B /Stable)	IVR BBB-/ Stable (IVR Triple B Minus/Stable)	Upgraded	Simple
Total	150.00	Rupees One Hundred and Fifty Crores			

Details of Facilities are in Annexure 1

Detailed Rationale

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

The rating upgradation of BCSL is on account of improved scale of operation & total assets under management (AUM) while maintaining comfortable financial risk profile in FY23 & 9MFY24. The total AUM has increased from Rs126.27 crore in FY2023 to Rs 179.03 crore crores in 9MFY2024. Further rating continues to draw comfort from the extensive experience of management in the same line of business, comfortable asset quality and capital adequacy ratio. However, these strengths are partially offset by geographical concentration, moderate profitability margins and challenging operating environment for NBFCs.

The Outlook is Stable owing to growing scale of operations & loan portfolio while maintaining the comfortable financials risk profile.

IVR has principally relied on the standalone audited financial results of Best Capital Services Limited up to FY23 & 9MFY24 key financials and data, three years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant increase in the scale of operations & AUM, without a significant impact on the asset quality.
- Maintaining adequate CAR and operating buffer, and the maintenance of adequate liquidity.

Downward Factors



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- 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 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 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 0.36% (0.45% in FY22) and 0.33% (0.40% in FY22) respectively as on March 31, 2023, 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.

Comfortable Capital Adequacy Ratio

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.

Improved 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 improved further 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



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Geographical Concentration

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 ~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.

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: For arriving at the ratings, IVR has analyzed BCSL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Non-Banking Finance Companies](#)
[Financial Ratios & Interpretation \(Financial Sector\)](#)
[Criteria for assigning rating outlook](#)

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*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	15.08	25.88
PAT	1.73	2.66
Total Debt	49.38	103.05
Tangible Net worth	24.82	42.35
Total Loan Assets	62.91	116.75
Overall Gearing Ratio (x)	1.99	2.44
GNPA (%)	0.45	0.36
NNPA (%)	0.40	0.33
CAR (x)	32.63	33.52

* 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 Instrument/ Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (17 Oct,2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (16 Dec,2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based	Long Term	150.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable (4 Oct,2022) IVR BBB-/ Stable (30 Dec,2022)	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.

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 visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Long Term Bank Facilities – Cash Credit	-	-	-	4.00	IVR BBB/ Stable
Long Term Bank Facilities – Term Loans	-	-	-	59.08	IVR BBB/ Stable
Long Term Bank Facilities – Proposed facilities TL/CC	-	-	-	86.92	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-BestCapitalServices-mar24.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 www.infomerics.com