



Press Release

Best Capital Services Limited

December 16, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	35.00*	IVR BB+/Positive (IVR Double B Plus with Positive outlook)	Assigned
Total	35.00 (Rupees Thirty Five Crore Only)		

*The amount includes proposed Term Loan of Rs 16.51 Cr. and CC limit of Rs 2.00 Cr.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Best Capital Services Limited derives comfort from extensive experience of management and comfortable asset quality. However, these strengths are partially offset by geographical concentration, moderate scale of operations, moderate profitability margins, high cost to income ratio and challenging operating environment for NBFCs.

Key Rating Sensitivities:

Upward Factors

- A significant increase in the scale of operations, without a significant impact on the asset quality, maintenance of adequate liquidity and maintaining a prudent capital structure

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:



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The company is promoted by Mr Arun Bagadia (Managing Director) who has more than two decades of experience in finance industry in the area of 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 0.50% and 0.45% respectively as on March 31, 2021 which moderated further to 0.46% and 0.42% respectively as per 6MFY22 results. The company follows 180+ DPD NPA recognition norm; resulting in lower NPA in the books of accounts. As on 31-Mar-2021, only 1.45% and 0.49% of the total portfolio aged more than 90 dpd and 180 dpd, respectively.

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. 57.09 Crores as on March 31, 2021 as against Rs. 56.22 cr on March 31, 2020. In 6MFY22, the total loan asset stood at Rs. 59.76 Cr. 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 93.41% of the total loan portfolio as per FY21 results. There is high concentration into one state, the company is exposed to the risk of geographical concentration.

Moderate Profitability Margins:

The PAT has shown marginal improvement, however, remained moderate in FY21 at Rs.0.98 Crore as against Rs.0.85 Crores in FY20. Company reported net interest margin (NIM) of 14.05% in FY21 as against 14.29% in FY20. ROTA stood at 1.79% in FY21 as against 1.52% in FY20. However as per 6MFY22 (unaudited), Company reported PAT of Rs. 0.55 Crores.



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Going forward, if the asset quality levels deteriorates, the profitability is expected to be impacted.

Challenging operating environment for NBFCs:

Currently, NBFIs in India are facing liquidity and funding challenges, resulting in subdued growth/ degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFCs. The COVID-19 pandemic has aggravated the liquidity issues of NBFCs, with the resultant impact on asset quality and profitability. Furthermore, Company operates in a highly competitive microfinance space, thereby its ability to demonstrate profitable growth while maintaining asset quality over the medium term will be critical.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Non-Banking Finance Companies
Financial Ratios & Interpretation (Financial Sector)

Liquidity –Adequate

Liquidity is marked adequate by adequate Capital adequacy ratio of 26.92% on March 31, 2021 and 30.72% as per the 6MFY22 key figures, which are well above the stipulated regulatory norm of 15%. Company's working capital utilization remained moderate at ~85.52% for the last 12 months period ended August 2021. Apart from it, the Company had cash and cash equivalents of about Rs.8.59 Crores as on March 31st, 2021. As the advances comprise relatively shorter tenure microfinance loans compared to the tenure of the borrowed funds, the asset liability maturity profile expected to remain 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



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financing and vehicles financing including cars, Light Commercial Vehicle, Medium Commercial vehicle etc. They operate with 9 branches spread across 8 states in India.

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Income	14.25	14.47
PAT	0.85	0.98
Total Debt	49.80	50.32
Tangible Net worth	16.36	19.08
Total Loan Assets	56.22	57.09
Overall Gearing Ratio (x)	3.04	2.6
GNPA (%)	0.76	0.50
NNPA (%)	0.61	0.45%
CAR (%)	24.58	26.92

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities – Term Loan	Long Term	8.49	IVR BB+/Positive	-	-	-
2.	Fund Based Bank Facilities- Term Loan (Proposed)	Long Term	16.51	IVR BB+/Positive	-	-	-
3.	Fund Based Bank Facilities – Cash Credit	Long Term	8.00	IVR BB+/Positive	-	-	-
4	Fund Based Bank Facilities – Cash Credit	Long Term	2.00	IVR BB+/Positive			



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Year	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – Term Loan	-	-	Sep 2023	1.42	IVR BB+/Positive
Fund Based Bank Facilities – Term Loan	-	-	Sep 2024	3.07	IVR BB+/Positive
Fund Based Bank Facilities – Term Loan	-	-	Sep 2026	4.00	IVR BB+/Positive



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Fund Based Bank Facilities- Term Loan (Proposed)	-	-	-	16.51	IVR BB+/Positive
Fund Based Bank Facilities – Cash Credit	-	-	-	8.00	IVR BB+/Positive
Fund Based Bank Facilities – Cash Credit	-	-	-	2.00	IVR BB+/Positive

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Best-Capital-Services-lenders-dec21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple

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.