

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Sai Point Finance Corporation Ltd.

April 18, 2018

Rating

Instrument / Facility	Amount	Rating	Rating Action
Long term Bank Facilities	Rs.50.00 crores	IVR BB+ with Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned

Details of Facility are in Annexure 1

Detailed Rationale

The rating is constrained by small size of the loan book, early stage of operations, moderate quality of the loan book, concentration risk, moderate resource profile and high competition from banks and NBFCs. However, the rating derives comfort from vast experience of the promoters, healthy growth in loan book coupled with profitable operations, regular infusion of capital by the promoters and adequate capitalisation levels. Growth in operations, asset quality, portfolio diversification, capital adequacy and financial leverage are the key rating sensitivities.

List of Key Rating Drivers

- Small size of the loan book due to early stage of operations
- Moderate quality of the loan book
- Concentration risk
- High competition from banks and NBFCs
- Experienced promoter
- Healthy growth in loan book coupled with profitable operations
- Regular capital infusion by the promoters
- Adequate capitalisation levels
- Moderate resource profile

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Detailed Description of Key Rating Drivers

Key Rating Weaknesses

Small size of the loan book due to early stage of operations

Sai Point Finance Corporation Limited (SPFCL) has a limited track record as it has effectively commenced financing of Two-wheelers from 2014. The total loan book size was Rs.66.86 crore as on March 31, 2017. Even though, the loan portfolio grew to Rs.93.90 crore by February 28, 2018, it continues to be small.

Moderate quality of the loan book

The NPA levels (recognised at 180+ days past due (DPD)) as of February 2018 stood at 0.96%, while the 90+ DPD stood at 4.06%.

On a lagged basis, the 180+ DPD contracts as on February 28, 2018 were 1.32% of the portfolio outstanding as on March 31, 2017, while the lagged 90+ DPD contracts stood at 5.56%. The ability of SPFCL to grow its loan book while maintaining low delinquency levels remains to be seen. The company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity.

Concentration risk

The entire portfolio of the company is concentrated in financing of two-wheelers. Further, Honda vehicles account for around 80% of the portfolio. The company operates mainly in the state of Maharashtra at present, with the Thane region contributing about 43% of the total loan book size, indicating geographical concentration risk as well. The company plans to expand its reach to other states such as Goa and Gujarat in the medium term which is likely to reduce the geographical concentration going forward.

High competition from banks and NBFCs

SPFCL is exposed to stiff competition from other NBFCs and banks. The two-wheeler financing industry is highly fragmented with unorganised lenders also vying for the same set of borrowers.

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Key Rating Strengths

Experienced promoter

The company has been promoted by Mr. Dilip Patil and is a part of Sai Point Group, who is a first-generation entrepreneur. In 2002, he promoted Sai Point Automobiles, the company is an authorized dealer of two wheelers of Honda Motorcycle and Scooter India Private Limited (HMSI). Over the years, the group has expanded its operations to include an authorised car dealership for Maruti Suzuki in Goa under the name Sai Point Cars Pvt Ltd and also pre-owned luxury car showrooms named Sai Point Super Cars in Mumbai and Pune. The group entered in to the vehicle financing business by setting up Sai Point Finance Corporation Ltd (SPFCL) in 2014.

Growth in loan book and profitable operations

The company's loan assets have increased from Rs.23.50 crore as on March 31, 2016 to Rs.66.86 crore as on March 31, 2017 on account of rising demand for two-wheeler vehicles amongst the middle class young population and expanding presence of the company in the state of Maharashtra.

SPFCL posted a net profit of Rs.1.94 crore in FY17 on a total income of Rs.10.79 crore as against a profit of Rs.0.75 crore on a total income of Rs.3.22 crore in FY16. The provisional revenue and PAT for 9MFY18 stood at Rs.13.92 crores and Rs.1.72 crores, respectively.

Regular capital infusion by the promoters

The promoters have supported the growing scale of operations by infusing equity to the tune of Rs.9.35 crore in FY16 and Rs.4.78 crore in FY17. Further, the promoters have also subscribed to the Compulsorily Convertible Debentures (CCDs) issue of Rs.19.0 crore which have a tenure of 10 years at the end of which the same would be converted to equity shares (due to be converted in 2027).

Adequate capitalisation levels

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SPFCL's capital adequacy ratio (CAR) was 23.87% as on March 31, 2017, as against the regulatory requirement of 15%. Leverage was moderate with total debt-equity at 0.55x as on the aforesaid date, which increased to 1.22x as on December 31, 2017.

Moderate resource profile

The company enjoys cash credit facility from a public sector bank and has term loan sanctions from three financiers aggregating to Rs.45 crore. The average working capital utilisation over the 12 months till January 2018 was moderate at 85%.

Analytical Approach & Applicable Criteria

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

About the Company

Incorporated in 1998 as Fresh Corporate Services Ltd, the company was acquired by the Sai Point Group and its name was changed to Sai Point Finance Corporation Limited (SPFCL) in 2014. The company is engaged in the business of two-wheeler financing and is registered as an NBFC with the RBI. SPFCL has presence in Maharashtra, mainly through the two-wheeler dealership rights of Honda held by the Sai Point Group.

The portfolio outstanding as at March 2017 stood at Rs.66.86 crore, which has increased to Rs.93.90 crores as at the end of February 2018. SPFCL has 12 branches across four regions namely, Thane, Nagpur, Pune and Yavatmal.

Two-wheeler loans are typically short-term loans that generally have a tenure of around 2 to 3 years. The average ticket size was Rs.50,510, average Loan to Value Ratio (LTV) was around 75%.

Financials (Standalone)

(Rs. Crores)

For the year ended / Rs. Crs	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	3.2	10.8
Interest	0.4	2.7

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PAT	0.8	1.9
Total Debt	6.0	19.9
Tangible Net worth*	10.4	36.2
<u>Ratios (%)</u>		
a. Net Interest Margin	20.5	16.6
b. PAT Margin	23.4	18.5
c. Overall Gearing ratio	0.6	0.6

* Net worth includes CCDs of Rs.19 crore

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Bank Facility - CC Facility	Long Term	50.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	--	--	--

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.

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About Infomerics:

Infomerics Valuation And Rating Pvt. Ltd.

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 Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
CC Facility	-	-	-	50.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)