Press Release

Sai Point Finance Corporation Ltd

February 11, 2019

Rating

Instrument / Facility	Amount	Rating	Rating Action
Long term Bank Facilities-CC Facility	Rs.50.00 crore	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)

Details of Facilities are in Annexure I

Detailed Rationale

The revision in the rating factors in the continued growth in the portfolio coupled with comfortable capitalisation levels. Further, the rating derives comfort from experience of the promoters and regular infusion of capital by the promoters. However, the rating is constrained by moderate asset quality, geographic and product concentration, moderate resource profile and competitive nature of the industry. Growth in operations, asset quality, portfolio diversification, capital adequacy and financial leverage are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced promoter

Mr. Dilip Patil is a first-generation entrepreneur. He started by setting up a two-wheeler dealership over a decade ago under the name Sai Point Automobiles Pvt Ltd (SPAPL) in 5 regions, viz. Thane, Pune, Amravati, Nagpur & Nashik. 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.23.5 crore as on March 31, 2016 to Rs.139.8 crore as on September 30, 2018. SPFCL posted a net profit of Rs.4.3 crore in FY18 on a total income of Rs.23.3 crore as against a profit of Rs.1.9 crore on a total income of Rs.10.8 crore in FY17. The total loan portfolio stood at Rs.139.8 crore as on September 30, 2018 having shown significant growth from Rs.90.9 crore as on March 31, 2018 (Rs.66.86 crore as on march 31, 2017).

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) of Rs.19.0 crore in FY17.

Adequate capital adequacy levels

SPFCL's capital adequacy ratio (CAR) was 44.59% as on March 31, 2018, as against the regulatory requirement of 15%. The CAR as on September 30, 2018 stood at 30.99% due to the rapid growth in portfolio from Rs.90.9 crore as on March 31, 2018 to Rs.139.8 crore as on September 30, 2018.

Key Rating Weaknesses

Moderate Asset Quality

The company is currently growing its portfolio rapidly. The Gross NPA as on March 31, 2018 stood at 2.77%, while the Net NPA was 2.37%. The Gross NPA and Net NPA improved to 0.91% and 0.78% as on September 30, 2018, respectively. 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 towards the two-wheeler financing. The company operates in the state of Maharashtra with a small presence in Goa. Thane region contributes about 45% of the total loan portfolio, indicating geographical concentration risk as well.

Moderately resource profile, though diversifying

In FY19, SPFCL has increased borrowing from NBFC's to support the growth in asset book. Term loans included primarily loans from NBFCs. The term loan included TL from Capital First ltd, Moneywise Financial Dervice, MAS Financial Service and AU Small Finance Bank.

Competitive nature of industry

SPFCL is exposed to stiff competition from other NBFCs and banks. Better capitalised and more conservatively run finance companies are likely to swallow up an increasing number of smaller rivals. The current uncertainty in the market will mean NBFCs with financially strong backers will stand out.

Analytical Approach & Applicable Criteria

- Standalone Approach
- Rating Methodology for Financial Institutions/NBFCs
- Financial Ratios & Interpretation (Financial Sector)

Liquidity

The overall gearing ratio of the company is low. Hence, the dependence of the company on borrowed funds is limited. The company also has substantial portion of its borrowings in the form of CC limits from SBI, wherein there are no scheduled repayment obligations. In respect of the term loan, the repayments are commencing only from FY21. The above mentioned factors coupled with shorter tenure of loan book of around 2 years provides comfort with respect to the liquidity profile of the company.

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 31, 2018 stood at Rs. 90.9 crore, which has increased to Rs.139.8 crore as at the end of September 2018. SPFCL has 40 branches across Maharashtra with 4 more branches in Goa. It is in five regions namely, Thane, Pune, Amravati, Nagpur & Nashik.

Financials (Standalone) **(Rs. crore)**

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Income	10.78	23.28
Interest	2.70	6.82
PAT	1.94	4.31
Tangible Networth	36.17	40.50
Total Loan Assets	66.86	90.87
Ratios		
PAT Margin (%)	18.52	18.50

Overall Gearing Ratio (x)	0.55	1.30

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	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 BBB- with Stable Outlook	IVR BB+ with Stable Outlook (April 18, 2018)	--	--

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sriram Rajagopalan

Tel: (022) 6239 6023

Email: srajagopalan@infomerics.com

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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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 Facility - CC Facility	-	-	-	50	IVR BBB- with Stable Outlook (IVR Triple B Minus with Stable Outlook)