Press Release

Sai Point Finance Corporation Limited

January 20, 2020

Rating Assigned

Total Bank Facilities Rated	Rs. 150.00 Crore
Long Term Rating	ACUITE BBB-/Stable (Assigned)

*Refer annexure for details

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 150.00 Cr. bank facilities of Sai Point Finance Corporation Limited (SPFC). The outlook is **'Stable'**.

About SPFC:

Incorporated in 1995, Thane (Maharashtra) based Sai Point Finance Corporation Limited (SPFC) (erstwhile Fresh Corporate Services Limited) is an RBI registered non-deposit taking NBFC. The company commenced operations in 2014 under the current management of Sai Point Group. The company is engaged in financing of two wheelers through a network of 44 branches across 5 regions of Maharashtra namely Mumbai, Pune, Vidharbha, Nashik and (Ratnagiri) Goa as on September 30, 2019.

SPFC is promoted by Mr. Dilip Patil (Managing Director) who manages the day to day operations of SPFC. Besides SPFC, Mr. Patil oversees the operations of Sai Point Automobiles Private Limited (SPAPL) and Sai Point Cars Private Limited (SPCPL). Sai Point Automobiles Private Limited (SPAPL) is engaged in Honda two wheeler dealership business and Sai Point Cars Private Limited (SPCPL) is engaged in Maruti Suzuki four wheeler dealership business.

Key Rating Drivers

Strengths

- **Supported by established presence of group in two wheeler dealership segment:**

SPFC promoted by Mr. Dilip Patil (Managing Director), is engaged in asset financing business i.e. providing two wheeler loans to customers sourced through their Honda two wheeler dealership company called Sai Point Automobiles Finance Limited (SPAPL) as well as to other dealers. Sai Point group forayed into auto dealership industry in 2001 with Sai Point Automobiles Private Limited (SPAPL) which is engaged in Honda two wheeler dealership business. Later in 2010, the group commenced four wheeler dealership of Maruti Suzuki and Nexa by setting up Sai Point Cars Private Limited and Sai Point Nexa, respectively. The group enjoys nearly two decades of experience in the auto dealership segment which in turn has supported the business growth of SPFC.

SPFC is 100 percent held by the promoter Mr. Dilip Patil and closed family. Mr. Dilip Patil manages the day to day operations of SPFC and for whole Sai Point Group. He enjoys nearly two decades of experience in two wheeler dealership segment.

The company operates in Maharashtra with a network of 44 branches as on September 30, 2019 and has plans to expand the operations in Gujarat in the coming years. The company's portfolio has grown to Rs.200.47 Cr. as on September 30, 2019 from Rs. 66.86 Cr. as on March 31, 2017. Around 35 percent of the growth in SPFC's portfolio is attributed to Sai Point Group's Honda two wheeler dealership business carried out under SPAPL, with remaining 65 percent business coming from financing for other dealers. SPFC mainly finances Honda two wheeler that account for 60 percent of the portfolio financed, followed by 30 percent of Bajaj two wheeler and 10 percent of TVS scooters.
Acuité believes that SPFC's business profile will continue to benefit from established presence of Sai Point group in two wheeler dealership industry backed by strong managerial support.

•**Significant growth in loan book while maintaining asset quality:**

SPFC's portfolio has grown to Rs. 190.85 Cr. as on March 31, 2019 from Rs. 90.86 Cr. as on March 31, 2018. The company's portfolio stood at Rs. 200.47 Cr. as on September 30, 2019.The company has demonstrated an improvement in their asset quality indicators wherein the gross Non-Performing Assets (GNPAs) reduced to 1.31 percent as on March 31, 2019 as against 2.76 percent as on March 31, 2018. The GNPAs stood at 1.18 percent as on September 30, 2019. While the improvement in asset quality indicators like GNPAs is mainly due to the growth in the portfolio base, yet there are no fresh slippages observed in the portfolio as witnessed in GNPAs of Rs. 2.36 Cr. as on September 30, 2019 as against Rs. 2.50 Cr. as on March 31, 2019 and Rs.2.52 Cr. as on March 31, 2018. The company's overall collection efficiency remains at 75 percent on an average and collection efficiency for current month due remain at 90 percent on an average, both for 13 months ended November 30, 2019. The subdued overall collection efficiency levels are primarily on account of legacy delinquencies which have not been written off in the past three to four years.

Acuité believes that maintaining collection efficiency and containing fresh delinquencies will remain a key rating monitorable.

Weakness

•**Pressures on growth in view of slowdown in auto sales:**

SPFC's disbursements increased in FY 2019 to Rs. 151.75 Cr. from Rs. 81.07 Cr in FY2018, while the disbursements reduced to Rs.48.02 Cr. in H1 2020. The slowdown in disbursements is attributable to subdued demand for two wheelers, coupled with funding challenges faced by NBFCs in general. As per Society of Indian Automobiles Manufacturers (SIAM) press release dated 10th January 2020, two wheeler sales registered a de-growth of -15.80 percent in April-December 2019 over April-December 2018. The slowdown in overall demand for two wheelers coupled with possible decline in reliasations of existing older variants is likely to have an impact on future operating performance, especially in event of large delinquencies.

Acuité believes that the company's ability to scale up their operations against the backdrop of subdued demand outlook on two wheeler industry will remain a key rating monitorable.

•**Challenges in raising further debt:**

The NBFC sector continues to face challenges in arranging fresh debt or equity capital consequent to the recent credit events where in some high profile NBFCs defaulted in making debt payments. The banks and FI's are adopting a cautious and selective approach towards this sector.

SPFC is currently leveraged at 3.41 times as on September 30, 2019 with total debt of Rs.165.43 Cr. as on the same date. Further, the company's working capital lines are ~93 percent on an average utilised in 13 months ended November 30, 2019. Against this backdrop, Acuité believes that SPFC's ability to raise adequate equity capital or adequate debt tie ups in a timely manner to support the business growth will be key rating sensitivity.

Rating Sensitivities

- Movement in Leverage indicators
- ROAA falling below 2 percent
- Gross NPA crossing 3 percent

Material Covenants

The lenders have stipulated asset quality and leverage indicators. Acuité observes that company has marginally breached the asset quality measure based on their position as on September 30, 2019.

Liquidity Position: Adequate

SPFC's overall liquidity profile remains adequate as on September 30, 2019 with no negative mismatches in individual buckets for upto one year. However, the company's ability to continue to maintain the pace of disbursements will depend on its ability to raise long term resources in the form of equity or long tenure loans. The company has a cash credit facility outstanding of Rs.50.00 Cr. which is 93 percent utilized on an average for 13 months ended November 30, 2019.

Acuité believes that SPFC's ability to maintain the tradeoff between liquidity and growth (disbursements) will be linked to fresh equity infusion and also its ability to raise long term debt.

Outlook: Stable

Acuité believes that SPFC will maintain a 'Stable' outlook over the near to medium term owing to its established track record in the auto dealership segment and its well-maintained asset quality measures though at moderate levels. The outlook may be revised to 'Positive' in case of significant and sustainable growth in the loan portfolio while maintaining profitability, asset quality and leverage indicators. Conversely, the outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital structure.

About the Rated Entity – Key Financials

Parameters	Unit	FY19 (Actual)	FY18 (Actual)
Total Assets	Rs. Cr.	201.37	97.65
Total Income*	Rs. Cr.	24.19	16.47
PAT	Rs. Cr.	5.13	4.32
Net Worth	Rs. Cr.	45.65	40.51
Return on Average Assets (RoAA)	(%)	3.43	5.09
Return on Average Net Worth(RoNW)	(%)	11.91	11.26
Total Debt/Tangible Net Worth (Gearing)	Times	3.25	1.30
Gross NPA	(%)	1.18	1.31
Net NPA	(%)	0.97	1.08

** Total income equals to Net interest income plus other income*

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Rating of Non-Banking Financing Entities – https://www.acuite.in/view-rating-criteria-44.htm
- Default Recognition – https://www.acuite.in/view-rating-criteria-52.htm
- Financial Ratios And Adjustments – https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Rating
Cash Credit	NA	NA	NA	50.00	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	100.00	ACUITE BBB- /Stable (Assigned)

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About Acuité Ratings & Research:
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