

Press Release

Sai Point Finance Corporation Limited

February 28, 2022



Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	40.00	ACUITE BBB- Stable Assigned	-
Non-Convertible Debentures (NCD)	25.00	Provisional ACUITE A- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	190.00	-	-
Total Withdrawn Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuité has reaffirmed a 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**'.

Acuité has assigned a long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs. 40.00 Cr. bank facilities of Sai Point Finance Corporation Limited (SPFC). The outlook is '**Stable**'.

Further Acuité has withdrawn the long-term rating of '**ACUITE Provisional A-**' (**read as ACUITE Provisional A minus**) on the Rs. 25.00 Cr. proposed non-convertible debentures of Sai Point Finance Corporation Limited (SPFC). The withdrawal is on account of client's request and as per Acuite's policy on withdrawal.

The rating reaffirmation takes into account the experience of the management and resourceful promoters, the rating also factors in the healthy capitalization levels marked by Capital Adequacy Ratio (CAR) which stood at 38.75 percent as on September 30, 2021 (Provisional) from 30.71 percent as on March 31, 2021. The improvement in CAR was on account of capital infusion of Rs. 5 Cr. during H1 FY2022 and reduction in risk weighted asset on account decline in loan portfolio. SPFC has a net worth of Rs. 59.00 Cr. as on September 30, 2021 (Provisional) (Rs. 52.95 crore as on March 31, 2021). The rating also derives comfort from proven track record of consistent funding received from banks and financial institutions.

The rating is, however, constrained due to modest scale of operations and geographic concentration of portfolio. SPFC's loan portfolio declined to Rs. 152.22 crore as on September 30, 2021 from Rs. 172.39 crore as on March 31, 2021 due to lower disbursements levels during H1 FY2022. The rating is also constrained due to increase in delinquencies as marked by GNPA of 3.27 percent as on September 30, 2021 (4.19 percent as on March 31, 2021 and 1.23 percent as on March 31, 2020).

Going forward, the ability of company to scale up its loan book, while maintaining asset quality and operating metrics will be key monitorables.

About the company

Thane (Maharashtra) based, Sai Point Finance Corporation Limited was incorporated in 1995 as nondeposit taking NBFC. The company commenced operations in 2014 under the current management of Sai Point Group (SPG). The company is engaged in financing of two wheelers through a network of 45 branches across 5 regions of Maharashtra namely Mumbai, Pune, Vidarbha, Nashik, Ratnagiri and Goa as on December 31, 2021. SPFC is promoted by Mr. Dilip Patil (Managing Director). SPG consists of Sai Point Automobiles Private Limited, Sai Point Cars Private Limited and Sai Point NEXA. Sai Point Automobiles Private Limited is engaged in Honda two wheeler dealership business. Sai Point Cars Private Limited and Sai Point NEXA are engaged in Maruti Suzuki four wheeler dealership business.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of SPFC to arrive at the rating. Further, the rating for proposed NCD program (now withdrawn) also takes the support of the presence of internal credit enhancement proposed in the form of Debt Service Reserve Account (DSRA) and the Structured Payment mechanism.

Key Rating Drivers

Strength

Experienced promoter supported by established presence of Sai Point Group in two wheeler dealership segment

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. Subsequently, SPFC started in 2014 as two wheeler financing to customers sourced through their Honda and Maruti Suzuki two wheeler dealership companies. All the entities are overseen by Mr. Dilip Patil (Managing Director). The group enjoys two decades of experienced promoter and operational track record of entities in the auto dealership segment which in turn has supported the business growth of SPFC. SPFC operates in Maharashtra with a network of 45 branches as on December 31, 2021. Around 35 percent of 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. The SPFC mainly finances Honda two wheeler that account for 60~65 percent of the portfolio financed, followed by 20 percent of Bajaj two wheeler and 10-15 percent of TVS scooters and other brands. SPFC's capitalization levels stood healthy at 38.75 percent as on September 30, 2021 as against 30.71 percent as on March 31, 2021. The promoters infused Rs. 5 crore in H1 FY2022. This ensures the adequate room available for future growth of the company.

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 experienced promoters and healthy capitalization levels.

Weakness

Moderation in asset quality and profitability metrics

SPFC's extends credit for vehicle financing the borrower segment in this asset class is more susceptible to economic downturns and hence risky. Despite the downside asset quality risks, Acuite takes cognizance of the company's ability to curtail slippages. The asset quality of SPFC is moderate with Gross Non-Performing Assets (GNPA calculated at 180+ days) at 2.46 percent as on December 31, 2021 from 4.19 percent as on March 31, 2021 and 1.23 percent as on March 31, 2020. On-time portfolio stood at around 81 percent as on December 31, 2021. SPFC's loan book stood at Rs. 161.70 Cr. as on December 31, 2021 declining from Rs. 172.39 Cr. as on March 31, 2021 and Rs. 205.14 Cr. as on March 31, 2020. The decline in loan portfolio was

on account of lower disbursements in FY2021 and FY2022, the disbursements were affected due overall slowdown in economic activity as a result of covid pandemic affecting the two-wheeler segment. This also resulted in moderation in profitability metrics of SPFC. SPFC reported a PAT of Rs. 2.04 Cr. for FY2021 from Rs. 5.25 Cr. for FY2022, PAT levels for H1 FY2022 stood at Rs. 1.05 Cr. Return on Average Assets (RoAA) decline to 1.00 percent as on March 31, 2021 as compared to 2.49 percent as on March 31, 2020. Similarly, Net Interest Margin (NIM) also declined to 8.45 percent as on March 31 2021 from 9.15 percent as on March 31, 2020.

Acuité believes that growth in loan portfolio while improving asset quality and profitability metrics would be key credit monitorable.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability parameters
- Changes in regulatory environment

Material Covenants

SPFC is subject to covenants stipulated by its lenders/investors in respect of various parameters like asset quality, leverage among others.

Liquidity Position: Adequate

SPFC's overall liquidity profile remains adequate as on September 30, 2021 with no cumulative negative mismatches in near to medium term. The company has maintained unencumbered cash and bank balances of Rs. 1.11 Cr. as on September 30, 2021. The company avails term loan facilities from Banks & NBFC/FIs and has also availed a cash credit facility for Rs.50.00 Cr. SPFC has debt obligations of Rs. 35.07 Cr. over a period of 1 year as per ALM statement dated September 30, 2021.

Outlook: Stable

Acuité believes that SPFC will maintain a 'Stable' outlook over the medium term supported by its established track record coupled with experienced promoter in auto dealership segment. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics and asset quality and liquidity. 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.

Key Financials - Standalone / Originator

Parameters	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	185.64	220.67
Total Income*	Rs. Cr.	20.36	24.04
PAT	Rs. Cr.	2.04	5.26
Net Worth	Rs. Cr.	52.95	50.91
Return on Average Assets (RoAA)	(%)	1.00	2.49
Return on Average Net Worth(RoNW)	(%)	3.92	10.90
Total Debt/Tangible Net Worth (Gearing)	Times	2.36	3.21
Gross NPA	(%)	4.19	1.23

Net NPA	(%)	3.46	1.11
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*Total income equals to Net interest income plus other income

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Feb 2021	Term Loan	Long Term	100.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional A- Stable (Assigned)
20 Jan 2020	Term Loan	Long Term	100.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	25.00	Provisional ACUITE A- Reaffirmed & Withdrawn
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	100.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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