

## Press Release

### Fatwheels Biker Village Private Limited

May 18, 2017

### Rating Assigned

Total Bank Facilities Rated*	Rs. 5.43 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.43 crore bank facilities of Fatwheels Biker Village Private Limited. The outlook is '**Stable**'.

FBVPL, incorporated in the year 2015 is a Coimbatore-based company promoted by Mr. Thampu John, Mr. Sam Issaiah and Mr. Durai Murugan. The company proposes to sell premium two wheelers (motorcycle) and its accessories at its showroom-cum-service center at Coimbatore, Tamil Nadu. The company also plans to run restaurant and Moto theatre from the same location. The operations are expected to commence from July, 2017. The company plans to sell two wheelers of brands including Harley Davidson, Yamaha, Ducati, Triumph, Suzuki, Benelli among others.

### Key Rating Drivers

#### Strengths

- **Promoter has extensive experience**

The company is promoted Mr. Thampu John who possess more than two decades of experience in two wheeler industry including operation and sales. He has work experience with Harley Davidson Motors, Ducati, and KTM Sports Motorcycles AG

- **Association with reputed suppliers and diversified product portfolio**

Along with dealership of premium two wheelers, the company proposes to provide diversified product range including Helmets, Jackets, Fuel Tanks, Crash Guards, Boots, Goggles, Racing suite (complete, regular), Racing Suite (Customised), Exhausts, Suspensions, Tyres, Engine Parts, Headlamps among others. The products will be imported from Acerbis Italia SPA (Italy), AXO International SRL (Italy), Racing Wear (USA), Motto Racing Spain SL (Spain) and Hardkits (Australia). Further, the company also plans to provide servicing and bike customization services.

#### Weaknesses

- **High project implementation and funding risk**

The total project cost for construction of facility alongwith the stock of goods to be sold stood at Rs. 7.24 crore. The facility includes showroom, workshop, detailing and customisation centre, Restaurant and Moto theatre. The project cost will be funded through bank borrowing of Rs. 5.43 crore and remaining through promoter's fund. The project is at nascent stage of execution as only Rs. 0.74 crore has been incurred as on May 5, 2017 towards the total project cost of Rs. 7.24 crore with pending financial closure. Hence, the project is exposed to significant implementation and funding risk.

- **Highly competitive and cyclical industry**

The company faces intense competition from other authorized dealers and bike service providers.

Besides, the operations are susceptible to the inherent cyclicity in the automobile sector.

### Analytical Approach

SMERA has considered the standalone business and financial risk profile of FBVPL to arrive at the rating.

### Outlook: Stable

SMERA believes that FBVPL will maintain a stable outlook in the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company successfully implements the project as per scheduled (COD) and generates healthy cash flows while achieving a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if there are delays in project execution or increase in the size and scope of the project. .

### About the Rated Entity - Key Financials

None

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA B- / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA B- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.83	SMERA B- / Stable
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA A4

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