

Press Release

Fortpoint Automotive (Cars) Private Limited

20 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs. 100.00 crore bank facilities of Fortpoint Automotive (Cars) Private Limited (FACPL). The outlook is '**Stable**'.

The Mumbai-based FACPL, incorporated in 2001 is an authorised dealer of Maruti Suzuki India Limited (MSIL) for passenger vehicles. The company is engaged in the sale of new cars, spare parts, accessories and undertakes servicing of vehicles. It is promoted by Mr. Sundeep Bafna.

Key rating drivers

Strengths

Established track record of operations and experienced management

FACPL has established operational track record of more than two decades. Mr. Sundeep Kumar Bafna, Managing Director has almost three decades of experience in the automobile industry.

Association with MSIL

FACPL benefits from its association with MSIL which is among the leaders in the passenger vehicle segment. MSIL has launched Vitara, Brezza and Baleno that have become popular.

Weaknesses

Average financial risk profile and liquidity profile

The financial risk profile is average marked by net worth of Rs.26.95 crore as on 31 March, 2017 compared to Rs. 21.12 crore as on 31 March, 2016. The networth includes interest-free unsecured loans of Rs. 6.00 crore as the same are subordinated to bank debt. The gearing stood at 4.04 times as on 31 March, 2017 against 5.04 times as on 31 March, 2016. The total debt of Rs. 108.85 crore comprises term loan of Rs. 43.41 crore from banks and working capital loans of Rs. 65.45 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 2.10 times in FY2017 as against 1.70 times in FY2016. The Debt Service Coverage Ratio stood at 0.99 times in FY2017 as against 0.97 times in the previous year. The Net Cash Accruals stood at Rs.14.39 crore as against repayment obligation of Rs.12.46 crore in FY2017.

The operating cycle of the company is elongated as Gross Current Asset (GCA) days stood at 102 for FY2016 as against 110 days for FY2017. Further, the company has stretched liquidity profile as the average cash credit limit utilisation stood at ~96 percent for the last six months ended January, 2018.

Stiff competition from other dealers

FACPL faces competition from other dealers and other automobile companies such as Chevrolet, Hyundai, and Renault. Furthermore, the sales as well as purchase prices are determined by Maruti Suzuki. This results in margin pressure and negatively impacts its earning capacity.

Exposure to the inherent cyclical in the industry

The rating is constrained by the inherent cyclical in the automobile sector and subdued outlook for passenger cars. Moreover, the prospects of FACPL are linked to the overall growth of MSIL.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Fortpoint Automotive (Cars) Private Limited to arrive at the rating.

Outlook - Stable

SMERA believes that FACPL will maintain a Stable outlook over the medium term owing to the extensive experience of the promoter in the business and established association with MSIL. The outlook may be revised to 'Positive' in case of increase in the scale of operations, improvement in profitability and coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	348.82	319.66	242.09
EBITDA	Rs. Cr.	27.27	23.48	15.80
PAT	Rs. Cr.	2.33	2.67	1.32
EBITDA Margin	(%)	7.82	7.34	6.53
PAT Margin	(%)	0.67	0.83	0.55
ROCE	(%)	12.93	13.84	17.18
Total Debt/Tangible Net Worth	Times	4.04	5.04	5.28
PBDIT/Interest	Times	2.10	1.70	1.83
Total Debt/PBDIT	Times	3.97	4.58	6.14
Gross Current Assets (Days)	Days	110	102	151

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. Crore)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	9.25	SMERA BB/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.70	SMERA BB/ Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BB/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA BB/ Stable
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BB/ Stable
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BB/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	11.30	SMERA BB/ Stable

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ABOUT SMERA

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