

Press Release

Fortpoint Automotive (Cars) Private Limited

January 09, 2020



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.130.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.100.00 crore bank facilities of FORTPOINT AUTOMOTIVE CARS PRIVATE LIMITED. The outlook is '**Stable**'.

Further, Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.30.00 crore bank facilities of FORTPOINT AUTOMOTIVE CARS PRIVATE LIMITED. The outlook is '**Stable**'.

Mumbai-based, Fortpoint Automotive Cars Private Limited (FAPL) was incorporated in 2001 and is an authorized dealer of Maruti Suzuki India Limited (MSIL) for passenger vehicles. Company is engaged in business of sale of new cars, spare parts, accessories and undertakes servicing of vehicles through its eight showrooms and workshops. Further, company is even engaged in leasing of cars.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the FAPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The promoters of Mr. Sundeep Prakash Bafna and Mr. Sandesh Subhash Dugad have extensive experience in the automobile industry which has enabled the company to have strong market presence and a stable scale of operations. Further, having around two decade of operational track record has enabled the company to maintain strong relations with its customers as well as with its suppliers.

Acuité believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit FAPL over the medium term.

- **Association with Maruti Suzuki India Limited**

Company benefits from its association with Maruti Suzuki India Limited (MSIL) which is among the leaders in the passenger vehicle segment.

Weaknesses

- **Average Financial risk profile**

FAPL has average financial risk profile marked by average net worth, moderate debt protection metrics and high gearing. The net worth of the company stood at Rs.30.09 crore as on 31 March, 2019 as against Rs.24.72 crore as on 31 March, 2018. The gearing level (debt-equity) stood stable at 4.44 times as on 31 March, 2019 as against 4.43 times as on 31 March, 2018. Further TOL/TNW (Total outside liabilities/ Total Net worth) stood high at 5.49 times as on 31 March, 2019 as against 6.03 times as on 31 March, 2018. The total debt of Rs.133.66 crore as on 31 March, 2019 consist of long term debt of Rs.48.51 crore, and working capital borrowings of Rs.85.16 crore. Debt to EBITDA stood high at 4.32 times in FY2019 as against 3.75 times in FY2018. Interest coverage ratio (ICR) stood at 2.58 times in FY2019 as against 2.92 times in FY2018.

Acuité believes that the financial risk profile of the company is expected to remain average backed by high working capital requirements which are likely to be funded by debt in the near term.

• **Working Capital intensive nature of Operations**

Operations of FAPL are working capital intensive marked by Gross Current Assets (GCA) of 143 days in FY2019 as against 130 days in the previous year. This is on the account of inventory holding period of 103 days in FY2019 as against 101 days in the previous year. Current ratio of the company stood at 1.03 times as on 31 March, 2019 as against 0.97 times as on 31 March, 2018.

Rating Sensitivities

- Improvement in operating levels and profitability.
- Significant Improvement in working capital cycle.

Material Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by average net cash accruals to its maturing debt obligations. FAPL generated cash accruals of Rs.17.70 crore in FY2019 against debt obligations of Rs.11.59 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.19.07 crore to Rs.21.54 crore during FY2020-22 against repayment obligations of Rs.14.85 crore for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 143 days in FY2019. The company maintained unencumbered cash and bank balances of Rs.2.96 crore as on 31 March 2019. The current ratio stands at 1.03 times as on 31 March, 2019.

Outlook: Stable

Acuité believes FAPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and its efficient working capital management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues from the current levels while maintaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	328.21	318.11
PAT	Rs. Cr.	1.64	2.03
PAT Margin	(%)	0.50	0.64
Total Debt/Tangible Net Worth	Times	4.44	4.43
PBDIT/Interest	Times	2.58	2.92

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jun-19	Inventory Funding	Long Term	9.25	ACUITE BB (Indicative)
	Cash Credit	Long Term	7.70	ACUITE BB (Indicative)
	Overdraft	Long Term	5.00	ACUITE BB (Indicative)
	Term Loans	Long Term	0.75	ACUITE BB (Indicative)
	Cash Credit	Long Term	22.00	ACUITE BB (Indicative)
	Inventory Funding	Long Term	10.00	ACUITE BB (Indicative)
	Term Loans	Long Term	18.00	ACUITE BB (Indicative)
	Inventory Funding	Long Term	13.00	ACUITE BB (Indicative)
	Term Loans	Long Term	3.00	ACUITE BB (Indicative)
	Term Loans	Long Term	11.30	ACUITE BB (Indicative)
20-Mar-18	Inventory Funding	Long Term	9.25	ACUITE BB/Stable (Assigned)
	Cash Credit	Long Term	7.70	ACUITE BB/Stable (Assigned)
	Overdraft	Long Term	5.00	ACUITE BB/Stable (Assigned)
	Term Loans	Long Term	0.75	ACUITE BB/Stable (Assigned)
	Cash Credit	Long Term	22.00	ACUITE BB/Stable (Assigned)
	Inventory Funding	Long Term	10.00	ACUITE BB/Stable (Assigned)
	Term Loans	Long Term	18.00	ACUITE BB/Stable (Assigned)
	Inventory Funding	Long Term	13.00	ACUITE BB/Stable (Assigned)
	Term Loans	Long Term	3.00	ACUITE BB/Stable (Assigned)
	Term Loans	Long Term	11.30	ACUITE BB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	8.25	ACUITE BB/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB/ Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB/ Stable (Reaffirmed)

Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	11.30	ACUITE BB/ Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.75	ACUITE BB/ Stable (Assigned)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:

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