

Press Release

Fenner Conveyor Belting Private Limited

November 14, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (**read as ACUITE BBB plus**) and short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 13.00 crore bank facilities of Fenner Conveyor Belting Private Limited. The outlook is '**Stable**'.

Established in 2000, Fenner Conveyor Belting Pvt Ltd is a member of Fenner Dunlop Conveyor Belting Worldwide, a division of Fenner Plc. Michelin SCA, the world's leading tyre manufacturer has acquired Fenner Plc in May 2018, at enterprise value of £1.3 billion at premium of 30.7 percent, bringing Fenner Plc operations including FCB under Michelin. Michelin's revenue stood at 21.96 billion euros and PAT of 1.7 billion euros in FY2017. Michelin is a global leader in manufacturing, designing and distributing the tires, services and solutions, headquartered in Clermont-Ferrand, France, Michelin is present in 170 countries, and operates 70 production facilities in 17 countries which together produced 190 million tires in 2017. The Michelin Group generated revenue of approximately '22 billion in 2017.

Analytical Approach

For arriving at the ratings, Acuité has factored in the operational and financial support from the parent, Michelin.

Key Rating Drivers

Strengths

- **Operational and financial support from Parent Michelin:**

The ratings reflects operational and financial support that FCB receives from world's leading tyre manufacturer Compagnie Generale des Etablissements Michelin SCA (Michelin SCA). Rating derives comfort from Michelin's strong global presence and its intentions to not to dispose any of Fenner Plc operations after acquisition. FCB bank limits are backed by corporate guarantee from the parent of Rs.13.00 Cr

Weaknesses

- **Volatile scale of operations and profitability:**

FCB scale of operation is volatile with operating income of Rs. 30.06 Cr in FY18 (Rs. 19.55 Cr in FY17 and Rs. 31.03 Cr in FY16). Profitability of FCB is also volatile with EBITDA margin stood at 5.22 percent in FY18 against -2.78 percent in FY17 and PAT margin stood at 3.40 percent in FY18 against -9.56 percent in FY17.

Outlook: Stable

Acuité believes the outlook on FCB rated facilities will remain stable over the medium term on account of operational and financial support from parent company. The outlook may be revised to 'Positive' if there is improvement in financial risk profile of parent company. Conversely, the outlook may be revised to 'Negative' if deterioration in financial risk profile of parent company.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)

Operating Income	Rs. Cr.	30.06	19.55	31.03
EBITDA	Rs. Cr.	1.57	-0.54	1.49
PAT	Rs. Cr.	1.02	-1.87	0.74
EBITDA Margin	(%)	5.22	-2.78	4.81
PAT Margin	(%)	3.40	-9.56	2.39
ROCE	(%)	10.78	-12.67	12.26
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	47.11	-8.53	7.79
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	173	170	144

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+ / Stable

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About Acuité Ratings & Research:

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