

Press Release

Fortpoint Automotive Mumbai Private Limited

March 11, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.40.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.40.00 crore bank facilities of Fortpoint Automotive Mumbai Private Limited. The outlook is '**Stable**'.

About the company

Mumbai-based Fortpoint Automotive Mumbai Private Limited (FAMPL) was incorporated in 2005 by Mr. Sandeep Bafna and is part of the Fortpoint group. The company is an authorized dealer for commercial vehicles of Eicher in Mumbai.

Analytical Approach

Acuité has considered the standalone business and financial profile of Fortpoint Automotive Mumbai Private limited to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

FAMPL is an authorized dealer of Eicher in Mumbai and is part of Fortpoint Group. The company is promoted by Mr. Sandeep Bafna, who has more than 2 decades of experience in the auto dealership business. Their management's experience has helped the company to establish strong relations with its customers and with the principal.

Acuité believes that the company will derive benefit from its experienced management and established market position over medium to long term.

Weaknesses

• Average financial risk profile

Financial risk profile of the company is average marked by low net worth, moderately high gearing levels and below average debt protection metrics. The net worth of the company stands low at Rs.20.73 crore as on 31 March 2020 as against Rs.20.51 crore as on 31 March 2019. The gearing (debt-equity) level stands moderately high at 1.88 times as on 31 March 2020. The total debt of Rs.38.98 crore as on 31 March 2020 consists of long term debt of Rs.0.17 crore, and working capital borrowings of Rs.38.81 crore. The company is highly leveraged marked by Debt-EBITDA of 6.33 times in FY2020. Owing to low profitability levels, the coverage metrics remain below average marked by Interest coverage ratio of 1.17 times in FY2020.

Acuité expects the financial risk profile of the company to remain below average on account high financial leverage and low profitability margins.

• Declining revenue and low profitability

Operating income of the company has slightly reduced to Rs.308.23 crore in FY2020 from Rs.324.92 crore in FY2019. Performance of the commercial vehicle industry is directly linked to the economic activities and with lockdown which led to slowdown in the economic activities, the operating income reduced to Rs.33.68 crore in H1FY2021 as against Rs.127.28 crore in H1FY2020. The operating margins stood in the range of 1.50-2.20 percent and net profit margin in the range of 0.06-0.10 percent during the last three years. Any significant decline in the operating income may

lead to net losses for the company.

Acuité believes that improvement in the operating income of the company over the medium term will be critical.

Liquidity Profile: Stretched

The company has stretched liquidity marked by high working capital utilization of ~95 percent during the last 5 months ended January-2020 and there were overdues in inventory funding account which were regularized within 10-12 days. During FY2020 company generated net cash accruals of Rs.0.91 to meet its repayment obligations of Rs.0.54 crore. The current ratio stands average at 1.20 times as on 31 March 2020.

Going forward, Acuité expects the liquidity position of the company to improve owing to improvement in net cash accruals and absence of high long term borrowings.

Rating Sensitivities

- Significant improvement in the operating income
- Improvement in financial risk profile of the company

Material Covenants

None

Outlook: Stable

Acuité believes FAMPL will maintain a 'Stable' business risk profile on the back of experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while significant improvement in 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	308.23	324.92
PAT	Rs. Cr.	0.22	0.23
PAT Margin	(%)	0.07	0.07
Total Debt/Tangible Net Worth	Times	1.88	2.18
PBDIT/Interest	Times	1.17	1.18

Status of non-cooperation with previous CRA:

CRISIL vide its rating rationale dated 15-October-2020 had denoted the rating of Fortpoint Automotive Mumbai Private Limited as 'CRISIL B/Stable (Issuer not cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Sector - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB-/ Stable (Assigned)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB-/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB-/ Stable (Assigned)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB-/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB-/ Stable (Assigned)

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About Acuité Ratings & Research:

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