

Press Release

Fortpoint Automotive Mumbai Private Limited

June 11, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE D/C (Downgraded from ACUITE BB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D**' (**read as ACUITE D**) and '**ACUITE C**' (**read as ACUITE C**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 40.00 crore bank facilities of Fortpoint Automotive Mumbai Private Limited.

Reason for rating downgrade

The rating downgrade is on account of ongoing delays in the account. The cash credit account is overdrawn since the month of April and it is classified as SMA-2. The company has not been able to generate any revenues from past two months due to the lockdown which has severely impacted the liquidity position of the company.

About the Company

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 of Eicher in Mumbai and deals in heavy duty vehicles, light medium duty vehicles, and buses and also deals in spare parts. Company operates through a showroom and three workshops.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the FAMPL to arrive at this 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

- **Delays in debt servicing**

The cash credit account of the company is overdrawn since April in one of the bank and classified as SMA-2. This is mainly due to the stretched liquidity and impact of lockdown on the automobile industry.

- **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 trend in operating income along with low profitability level**

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.

Rating Sensitivity

- Curing of default

Material Covenants

None

Liquidity Position – Poor

The company has poor liquidity marked by overdrawings in cash credit account which are yet to be regularised. Due to the ongoing lockdown there are no operations in the company which has impacted the liquidity. Acuité believes the liquidity position of the company will continue to remain poor over the medium.

Outlook: Not Applicable

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 (if applicable)

Not Applicable

Any other information

None

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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Mar-2021	Cash Credit	Long Term	5.00	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BB-/Stable (Assigned)
	Inventory funding	Long Term	12.00	ACUITE BB-/Stable (Assigned)
	Inventory funding	Long Term	5.00	ACUITE BB-/Stable (Assigned)
	Proposed bank facility	Long Term	7.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE C (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE D (Downgraded)
Inventory funding	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE C (Downgraded)
Inventory funding	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE C (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE C (Downgraded)

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About Acuité Ratings & Research:

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