

Press Release

Fortpoint Automotive Mumbai Private Limited

September 07, 2021

Rating Upgraded, Withdrawn



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

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB- ' (read as ACUITE double B minus)** from '**ACUITE D' (read as ACUITE D)** and '**ACUITE C' (read as ACUITE C)** on the Rs. 40.00 crore bank facilities of Fortpoint Automotive Mumbai Private Limited (FAMPL). The outlook is '**Stable**'.

Also, Acuite has upgraded and withdrawn the long term rating to '**ACUITE BB- ' (read as ACUITE double B minus)** from '**ACUITE D' (read as ACUITE D)** and '**ACUITE C' (read as ACUITE C)** on the Rs. 17.00 crore bank facilities of Fortpoint Automotive Mumbai Private Limited.

Rationale for Rating Upgrade

Acuite had downgraded the rating to ACUITE D and ACUITE C on receipt of feedback from the bank that the company had defaulted. However, the bank has now provided clarity on the nature of default. The default was on account of technical glitch. Hence, Acuite has considered the latest feedback from all the lenders and then reviewed & upgraded the rating for 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

For arriving at its rating, Acuite has taken the standalone business and financial risk profile of the company.

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 two 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.

Acuite 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**

FAMPL's financial risk profile stood average marked by moderately high gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and debt protection metrics. The Net worth of the company is moderate at Rs. 22.91 crore as on March 31, 2021 (Provisional) as against Rs.20.73 crore as on 31 March, 2020. Gearing stood slightly high at 1.76 times as on March 31, 2021 (Provisional) as against 1.88 times as on 31 March, 2020. The total debt of Rs.40.23 crore as on 31 March 2021 consists of long term debt of Rs.0.01 crore and working capital borrowings of Rs.40.21 crore. The company is highly leveraged marked by Debt-EBITDA of 7.33 times in FY2021. Owing to low profitability levels, the coverage metrics remain below average marked by

Interest coverage ratio of 1.16 times in FY2021.

Acuite believes the company will maintain the average financial risk profile over the medium term on account high financial leverage and low profitability margins.

- **Highly competitive and fragmented industry**

The company operates in the commercial vehicles industry marked by intense competition from several mid to big sized players. However, this risk is mitigated to some extent as FAMPL is one of the oldest dealers of Eicher. Sale of vehicles is subjected to change in consumer tastes and popularity of the model of the vehicle. Acuite expects that the growth prospect of FAMPL is entirely dependent on the overall growth of the industry and Eicher.

Rating sensitivities

- Significant improvement in operating performance
- Deterioration in working capital cycle

Material Covenant

None

Liquidity Position: Stretched

The company has stretched liquidity marked by high working capital utilization of ~96.55 percent during the last 6 months ended July-2021. During FY2021 (Provisional) company generated net cash accruals of Rs.0.70 crore. The current ratio stands average at 1.26 times as on 31 March 2021 (Provisional). The company has unencumbered cash balances of Rs.2.74 crore as on 31 March 2021 (Provisional). Acuite believes the liquidity position remain stretched over the medium term on account of low net cash accruals.

Outlook: Stable

Acuite believes that the outlook of FAMPL will remain 'Stable' over the medium term on account of its experienced management. Outlook will be revised to 'Positive' if the company is able to increase its scale of operations while maintaining healthy profitability. On the contrary; the outlook will be revised to 'Negative' in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity and further deterioration in the working capital cycle.

About the Rated Entity Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	179.67	308.23
PAT	Rs. Cr.	0.19	0.22
PAT Margin	(%)	0.10	0.07
Total Debt/Tangible Net Worth	Times	1.76	1.88
PBDIT/Interest	Times	1.16	1.17

Status of non-cooperation with previous CRA

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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
11-June-21	Cash Credit	Long term	5.00	ACUITE C (Downgraded)
	Cash Credit	Long term	11.00	ACUITE D (Downgraded)
	Inventory funding	Long term	12.00	ACUITE C (Downgraded)
	Inventory funding	Long term	5.00	ACUITE C (Downgraded)
	Proposed bank facility	Long term	7.00	ACUITE C (Downgraded)
11-Mar-21	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

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB-/Stable (Upgraded & Withdrawn)
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB-/Stable (Upgraded)
HDFC Bank	Inventory funding	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB-/Stable (Upgraded & Withdrawn)
Yes Bank	Inventory funding	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB-/Stable (Upgraded)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE BB-/Stable (Upgraded)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,665 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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