



Press Release

FortPoint Automotive (Cars) Private Limited

November 08th, 2023

Ratings

Instrument / Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based Bank Facilities	79.38 (Reduced from Rs.87.20 crore)	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Long Term Fund based Bank Facilities – Overdraft	25.00	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Long Term Fund based Bank Facilities – Channel Finance	5.94	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Long Term Fund based Bank Facilities – Proposed	1.88	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Total	Rs.112.20 Crore (Rupees One Hundred & twelve crore and twenty lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of FortPoint Automotive (Cars) Private Limited considers stable growth in the revenue during FY23. The ratings continue to derive strength from extensive experience of the promoters, stable revenue growth albeit marginal declined in the profitability margins, moderate order book, authorized dealer of Maruti Suzuki and reputed clientele. However, the rating strengths are partially offset by moderate capital structure, working capital intensive nature of operation and high competition from other Maruti Suzuki India Limited dealers as also dealers of other PV OEM's.



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Key Rating Sensitivities:

Upward Factors

- Higher contribution from leasing business leading to improvement in EBITDA margins and/or improvement in working capital cycle leading to overall gearing below 2.25x on a sustained basis.

Downward Factors

- Substantial deterioration in profitability and/or deterioration in working capital cycle leading to overall gearing above 3.25x on a sustained basis and any deterioration in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters

The Managing Director of the company Mr. Sundeep Kumar Bafna (MBA from USA) has a vast experience of auto dealership business spanning for over two decades. The overall affairs of the company are managed by Mr. Sundeep Kumar Bafna and Mr. Sandesh Dugad who have expanded the setup into multiple dealerships, corporate car leasing, and true value dealerships across Mumbai. The company is well supported by second line of management.

Stable revenue growth albeit marginal declined in the profitability margins

The total operating income of the company improved by 19% and remained at Rs.360.76 crore in FY23 (FY22: Rs.302.36 crore) due to increase in numbers of units sold as well as increased in realization per car. The EBITDA margin has marginally declined by 76 bps in FY23 to 8.84% (FY22: 9.60%) mainly on account of change in revenue mix as the company has generated more revenue from trading of cars segment and this segment generates lower margins in comparison with other segments (like services and lease rentals). However, EBITDA in absolute terms has increased to Rs.31.88 crore in FY23 (FY22: Rs.29.02 crore).

The PAT margin remained stable to 0.82% in FY23 (FY22:0.85%) despite increase in increase in interest expenses due to higher utilization of working capital limits as on balance sheet date.



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Moderate order book

The Company has an outstanding order book of ~Rs.62.00 crore till September 30, 2023, which contains 690 cars, having an average ticket size of Rs. 6 to Rs. 9 lakhs which is expected to be delivered in the next 2 months, showing a good revenue visibility for the company in near future. The company leases out cars to companies like ONGC and SBI on a long-term contract period wherein the company charges them fixed rental as per contract terms.

Authorized dealer of Maruti Suzuki India Limited

The company is an authorized dealer of Maruti Suzuki India Limited (MSIL) for passenger vehicles, who are the leading manufacturer of passenger cars in India. The company is further tapping the market of higher valued vehicles (in NEXA and ARENA stables) too.

Reputed Clientele

The company derives around 23% of the revenue from providing cars to corporates on lease basis. It has reputed corporate client base which comprises of ONGC, New India Assurance, TATA AIG, Universal Sampo, SBI and many others. Along with supplying cars in Maharashtra region the company also supplies cars to Kolkata, Chennai, etc.

Key Rating Weaknesses

Moderate Capital Structure

The company's capital structure marked by overall gearing has marginally declined yet remains moderate at 2.88x in FY23 (FY22: 2.80x) due to higher utilization of its working capital limits as on balance sheet date. However, long term debt to equity and TOL/TNW also stood stable at 1.38x and 3.07x respectively in FY23 (FY22: 1.38x and 3.11x respectively). The company's debt protection metrics marked by interest coverage ratio remains comfortable at 2.50x in FY23 (FY22: 2.61x). The debt service coverage ratio (DSCR) also remained comfortable and improved marginally on a year-on-year basis to 1.30x at the end of FY23. The Net worth of the company improved to Rs.49.52 crore in FY23 (FY22: Rs. 42.44 crore) owing to accretion of profits to reserves.



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Working capital intensive nature of operation

The company's operations are working capital intensive with majority of the funds blocked in inventory as the company requires working capital limits to purchase of vehicles and spare parts and accessories on a regular basis. Further the operating cycle of the company marginally improved yet remained higher at 108 days in FY23 (FY22: 118 days) owing to reduction in inventory days and stood at 87 in FY23 (FY22: 96 days) due to averaging effect. However, in absolute terms inventory amount has increase to Rs.84.71 crore in FY23 (FY22 Rs.71.09 crore). As a result of the same the working capital limits were utilized around 84% during the past 12 months ended as on September, 2023.

High competition from other MSIL dealers as also dealers of other PV OEM's

The automotive sector is highly fragmented with many players in the mini, compact, midsized, executive, premium, and luxury passenger car segments. The company faces competition from other leading and established dealers of other PV, original equipment manufacturers (OEMs), along with unorganized used car market thus, increasing pressure to pass on price discounts to customers. The sales are regionally concentrated with its revenue derived across Mumbai and Thane.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for rating Outlook](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity of the company remains adequate as reflected by sufficient cash accruals of Rs.20.00 crore as against the repayment of Rs.12.85 crore for FY24. The current ratio stood moderate at 1.46x, however quick ratio stood low at 0.57x as on March 31, 2023 (A) due to high inventory. Further average working capital utilization of the bank limits remain around ~84% over the last 12 months ended August-2023. The cash & cash equivalent stood at Rs.2.66 crore as on March 31, 2023 (A).



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About the Company

Fortpoint Automotive Cars Private Limited (FAPL) was founded in 2001, and it's an official dealer for Maruti Suzuki India Limited (MSIL), specializing in selling new cars, providing spare parts, accessories, and servicing vehicles. They operate through six showrooms and four workshops. Additionally, they also offer car leasing services. In 2006, the company expanded its reach by becoming a franchisee of Maruti Udyog Ltd. at three locations - Mahim, Mahalaxmi, and Thane, making them an authorized Maruti Suzuki Car Dealer in Mumbai and Thane.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	302.36	360.76
EBITDA	29.02	31.88
PAT	2.57	2.97
Total Debt	118.98	142.62
Tangible Net-Worth	42.44	49.52
Ratios		
EBITDA Margin (%)	9.60	8.84
PAT Margin (%)	0.85	0.82
Overall Gearing Ratio (x)	2.80	2.88

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated April 28, 2023, has reaffirm the long-term ratings for the bank loan facilities of Fortpoint Automotive (Cars) Private Limited and continued under "ISSUER NOT COOPERATING" category on account of non-availability of information.

Any other information: None

Rating History for last three years:



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Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (August 17, 2022)	Date(s) & Rating(s) assigned in 2021-22 September 17, 2021	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund based Bank Facilities	Long Term	79.38	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Stable	-
2.	Long Term Fund based Bank Facilities – Overdraft	Long Term	25.00	IVR BBB- / Stable	-	-	-
3.	Long Term Fund based Bank Facilities – Channel Finance	Long Term	5.94	IVR BBB- / Stable	-	-	-
4.	Long Term Fund based Bank Facilities – Proposed	Long Term	1.88	IVR BBB- / Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term fund based – Term Loan	-	-	January 2026	14.83	IVR BBB-/ Stable Outlook
Long term fund based – Term Loan	-	-	October 2027	2.64	IVR BBB-/ Stable Outlook
Long term fund based – Term Loan	-	-	April 2025	0.51	IVR BBB-/ Stable Outlook
Long term fund based – Cash Credit	-	-	-	7.00	IVR BBB-/ Stable Outlook
Long term fund based – Open Cash Credit	-	-	-	20.40	IVR BBB-/ Stable Outlook
Long term fund based – Electronic Dealer Financing Scheme	-	-	-	24.50	IVR BBB-/ Stable Outlook



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Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term fund based – Electronic Dealer Financing Scheme	-	-	-	5.50	IVR BBB-/ Stable Outlook
Long term fund based – Inventory Funding	-	-	-	3.00	IVR BBB-/ Stable Outlook
Long term fund based – Inventory Funding	-	-	-	1.00	IVR BBB-/ Stable Outlook
Long term fund based – Overdraft	-	-	-	15.00	IVR BBB-/ Stable Outlook
Long term fund based – Overdraft	-	-	-	10.00	IVR BBB-/ Stable Outlook
Long term fund based – Channel Finance	-	-	-	5.94	IVR BBB-/ Stable Outlook
Long term fund based - Proposed	-	-	-	1.88	IVR BBB-/ Stable Outlook
Total				112.20	

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-FortPoint-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.