Fortune Cars Private Limited

March 19, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	33.00	CARE B; Stable	Assigned

Details of facilities in Annexure-1

Rationale and key rating drivers

The ratings assigned to bank facilities of Fortune Cars Private Limited (FCPL) are constrained on account of its highly leveraged capital structure with weak debt coverage indicators, geographical concentration of operations, low profitability, and dependency of the company on the fortunes of the principals with whom it has low bargaining power. Ratings are also constrained on account of company's presence in the competitive and cyclical auto dealership industry and stretched liquidity. The ratings, however, derive strength from the established track record and extensive experience of promoters in the automobile dealership industry, diversified income from sale of vehicle, services and spare parts, and growing scale of operations.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors:

- Increasing scale of operations above ₹400 crore on a sustained basis while maintaining
- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 2.50% on a sustained basis.
- Improvement in overall gearing below 2x, on a sustained basis.

Negative factors:

- Significantly declining revenue with operating profitability falling below 2%.
- Declining operating cycle days above 60 days, affecting liquidity.
- Deterioration in the capital structure as marked by overall gearing ratio of above FY24 level on a sustained basis.

Analytical approach: Standalone.

Outlook: Stable

CARE Ratings believes that the company will continue to benefit from experience of the promoters in the auto dealership business.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure with weak debt coverage indicators

The capital structure of the company stood leveraged as marked by an overall gearing of 9.35x as of March 31, 2024, (FY refers to the period April 1 to March 31) compared to -18.03x in the previous year. High gearing is attributable to the company's significant reliance on external debt, primarily in the form of working capital borrowings and unsecured loans from promoters. FCPL is required to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage, resulting in high working capital intensity in company's operations. This coupled with the low profitability inherent in the auto dealership industry, leads to weak debt coverage indicators for the company as marked by TD/GCA of 8.25 years during FY24 (8.81 years during FY23) and PBILDT Interest Coverage ratio of 0.88x (1.24x during FY23).

Geographical concentration of operations

FCPL operates with a high geographical concentration in Maharashtra, particularly in Navi Mumbai and surrounding areas. The company's outlets, including showrooms, service centres, and stockyards, are located within this region, making it vulnerable to regional market dynamics and economic fluctuations. Additionally, all facilities—the showroom and service centre in Nerul, the body shop in Nerul, the showroom in Vashi, and the stockyard in Panvel—are on rented premises, leading to higher operational

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

costs and lower asset ownership benefits. However, company has a long-standing association with both the principals of nearly a decade.

Limited bargaining power with the principals

FCPL's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, auto dealers have low bargaining power over their principals. The margin on products is set at a particular level by the principal manufacturer, thereby restricting the company to earn incremental income. Further, the fortunes of auto dealers rest on the performance of the principals and the acceptability of their products in the market. Hence, performance and prospects of FCPL is highly dependent on the fortunes of Tata Motors Limited (TML).

Inherently competitive and cyclical nature of the auto industry

The Indian automobile industry is highly competitive in nature owing to a large number of players operating in the market. With low set-up cost and no major entry barriers, emergence of new dealers is very imminent, further aggravating the competition faced from existing dealers of other Original Equipment Manufacturers (OEMs). To offset the same, dealers must come up with extra discounts, which creates margin pressure and negatively impacts the earning capacity of the company. Furthermore, the auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. The company thus faces significant risks associated with such a cyclical nature of the auto industry.

Key strengths

Experienced promoters and established track record of operations

FCPL is promoted by Vinod Kumar Sharma, Abhijit Chandrakant Bhansali, and Sandhya Vinod Sharma, who have over two decades of experience in the automobile industry. Their deep industry expertise, efficient client service, and strategic decision-making have contributed to the company's growth. Additionally, their involvement in other industries further enhances their business acumen, positioning FCPL for sustained expansion.

Growing scale of operations through diversified sources albeit thin profitability

FCPL's Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 63.88% over the last five years ending FY24. However, TOI remained stable at ₹349.91 crore in FY24 compared to FY23, primarily due to marginally lower car sales volume offset by higher sales realization. The company has reported TOI of ₹246.22 crore in 9MFY25. FCPL benefits from a diversified revenue profile wherein new car sales remain the primary revenue driver with consistently contributing ~88-91% of total revenue over the years. It is followed by sale of spare parts and accessories, service income, incentives and commission among others. Additionally, used car sales currently contribute a smaller share (~1-2%) yet it presents a potential growth opportunity if strategically leveraged. Despite its revenue growth, profitability of the company marked by PBILDT margin remained thin in the range of 1-3% during FY22-FY24 owing to trading nature of operations. Brokerage-commission availed by promoters coupled with higher rental expenses from a newly added workshop further strained operating margins have bearings on profitability. Going forward, FCPL's ability to generate revenue beyond vehicle sales and enhance its financial stability by translating the same into improved profitability to navigate industry cycles will remain critical from the credit perspective.

Liquidity: Stretched

Liquidity remains stretched, characterized by moderately high utilization of working capital limits, with modest cash flow from operations at Rs. 3.87 crore. The bank limits of Rs. 33 crores were utilized at approximately 99.10% over the 12 months ending January 2025. Cash flow from operations was Rs. 3.55 crore in the last fiscal year. Further, cash accruals are expected to remain tightly matched to meet its debt repayment obligation. However, the unencumbered cash and bank balance stood at around Rs. 5.42 crore as of March 31, 2024. Additionally, as of March 31, 2024, the current ratio was 1.36x, while the quick ratio was 0.60x.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Dealer

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Incorporated in **1996**, Fortune Cars Private Limited (FCPL) initially operated as a **Daewoo Motors** dealer before becoming an authorized Tata Motors dealer in 2000. It sells Tata passenger vehicles across Vashi, Panvel, and Nerul, along with offering servicing and spare parts sales. The promoters have been in the auto dealership business since 1986, bringing decades of industry expertise.

FCPL-Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	352.34	349.91	246.22
PBILDT	7.43	3.94	2.08
PAT	2.80	2.14	NA
Overall gearing (times)	-18.03	9.35	NA
Interest coverage (times)	1.24	0.88	NA

A: Audited; UA: Unaudited NA: Not available. Note: 'These are latest available financial results'
The financials are classified per CARE Ratings' Standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Term Loan-Long Term		-	-	NA	33.00	CARE B; Stable

Annexure-2: Rating history of last three years

Sr. No.	Name of the /Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Electronic Dealer Financing Scheme	LT	-	-	1)Withdrawn (07-Feb-25) 2)CARE D; ISSUER NOT COOPERATING* (03-Oct-24)	1)CARE D; ISSUER NOT COOPERATING* (05-Sep-23)	1)CARE D; ISSUER NOT COOPERATING* (30-Aug-22)	1)CARE C; Stable; ISSUER NOT COOPERATING* (02-Jul-21)
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	-	-	1)Withdrawn (07-Feb-25) 2)CARE D; ISSUER NOT COOPERATING* (03-Oct-24)	1)CARE D; ISSUER NOT COOPERATING* (05-Sep-23)	1)CARE D; ISSUER NOT COOPERATING* (30-Aug-22)	1)CARE C; Stable; ISSUER NOT COOPERATING* (02-Jul-21)
3	Fund-based - ST-Others	ST	-	-	1)Withdrawn (07-Feb-25) 2)CARE D; ISSUER NOT COOPERATING* (03-Oct-24)	1)CARE D; ISSUER NOT COOPERATING* (05-Sep-23)	1)CARE D; ISSUER NOT COOPERATING* (30-Aug-22)	1)CARE A4; ISSUER NOT COOPERATING* (02-Jul-21)
4	Term Loan-Long Term	LT	33.00	CARE B; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure 4: Complexity level of instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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