



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Fossil Business Solution Private Limited

January 15, 2020

Rating

Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
Bank Facilities- Long Term	5.00	IVR BB Stable Outlook (IVR Double B with Stable Outlook)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Fossil Business Solution Private Limited (FBSPL) draws comfort from extensive experience of its promoters and management, initiative to diversify its revenue profile and its comfortable debt protection metrics. However, the rating strengths are partially offset by its small scale of operations, intense competition in the operating spectrum, vulnerability of business exposed to any adverse changes in government regulations, working capital intensive nature of operations, and its leveraged capital structure.

Key Rating Sensitivities:

Upward Factor:

- Significant improvement in scale of operations and profitability on a sustained basis
- Reduction of dependence on single customer
- Improvement in debt protection metrics

Downward factor:

- Further elongation of operating cycle
- Deterioration in overall gearing to over 3x



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The Company is benefitted by the ground knowledge and rich experience carried by its promoter. Mr. Tarun Agarwal has experience in Metal trading for years, his extensive knowledge in government policies and contacts in corporate helps company to bid and get the tender accepted for laying of cables. Mr. Ankit Agarwal has experience in trading of Agro commodities. Both Mr. Ankit and Mr. Tarun Agarwal look after the overall business operations of the company.

Diversification initiatives

Initially the company was only engaged in export of Non-Basmati Rice. To diversify its operation, the company forayed into laying, servicing and maintenance of optical fibers since 2016 and gradually started gaining contracts in this segment. In FY19 the company derived 26% revenue from export of rice, and rest from laying of duct and optical cables (70% of revenue from rice and rest from laying of cables in FY'18). Company is likely to be benefitted from the diversification in its revenue profile going forward.

Comfortable debt protection metrics

The debt protections parameters are comfortable, marked by interest coverage ratio of 4.36x in FY19 (3.26x in FY18) and DSCR of at 3.18 in FY19 (2.98x in FY18). Total debt to GCA remained moderate at 5.35 years in FY19 (4.87 years).

Key Rating Weaknesses

Small scale of operations

The total operating income of the company registered a CAGR of 41.72% during FY17 -FY19 with a y-o-y growth of ~90%. The growth is driven by increase in revenue from servicing and maintenance of optical fibre cables for telecom companies. The proportion of revenue from telecom is 74% in FY19, (30% in FY18). The profit margins of the company also remained

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comfortable in the past years. The Company has earned higher cash accrual of Rs.2.09 crore in FY19 as compared to Rs.1.36 crore in FY18. Notwithstanding the growth, the scale of operations of the company remained small with a total operating income at Rs.37.16 crore in FY19. Small scale of operations restricts the financial flexibility of the company. During H1FY20, the company has achieved a total operating income of Rs. 16.05 crore. Moreover, it has an order book of Rs.15.43 crore as on October 31, 2019 indicating a near term revenue visibility.

Intense competition

Trading of non-basmati rice and infrastructure segments both are highly competitive marked by presence of many organised and unorganised players. Low entry barriers coupled with low technologies requirement makes the operations vulnerable and limits the pricing flexibility.

Exposure to government policies

FBSPL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of pulses etc.

Leverage Capital Structure

The company has a leveraged capital structure with a modest net worth of Rs.4.34 Crore as on March 31, 2019. The overall gearing ratio though improved from 3.48x as on March 31, 2018 driven by infusion of equity by the promoters and accretion of profit to net worth continued to remain high at 2.58x as on March 31, 2019. Total indebtedness as reflected by the TOL/TNW also remained high at 4.95x as on March 31, 2019.

Stretch in receivables

Operating cycle of company elongated from 53 days in FY18 to 62 days in FY19 due to stretch in collection period .The average collection period elongated from 79 days in FY18 to stood at 98 days in FY19 mainly due to delayed payment from BSNL.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The Liquidity of the company is expected to remain adequate in the near term characterized by expected sufficient accruals vis-à-vis its repayment obligations in FY20 and FY21. Further, average working capital utilisation in the last twelve months ended November 2019 was moderate at around 85% indicating a moderate liquidity buffer.

About the Company

Fossil Business Solution Private Limited (FBSPL) was incorporated on November 7, 2013 by Mr. Tarun Kumar Agarwal and Mr. Ankit Agarwal of Kolkata, West Bengal. The company is engaged in trading and exporting of agriculture products (non-basmati rice to Singapore). Since 2016, the company forayed into laying, servicing and maintenance of optical fiber cable in order to diversify its operations. In FBSL 26% of revenue is from export of rice, rest from laying of duct and optical cables in FY'19. Moreover, the company is planning to venture into Led lighting through Indian Railway project.

Financials (Standalone):

For the year ended*	(Rs. crore)	
	31-03-18	31-03-19
	Audited	Audited
Total Operating Income	19.53	37.16
EBITDA	2.25	4.02
PAT	0.62	1.40
Total Debt	7.40	11.93
Tangible Net worth	1.91	4.34
EBITDA Margin (%)	11.50	10.82
PAT Margin (%)	3.16	3.77
Overall Gearing Ratio (x)	3.88	2.75

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	5.00*	IVR BB/Stable	-	-	-

* PC/PCFC/FDBP are sublimit of cash credit to the extent of Rs.4 crore

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product



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portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	5.00*	IVR BB/Stable

* PC/PCFC/FDBP are sublimit of cash credit to the extent of Rs.4 crore