



Press Release

Fossil Business Solution Private Limited

March 08, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Bank Facility	5.00	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	Re-affirmed
	Total	5.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating reaffirmed to the bank facilities of Fossil Business Solution Private Limited (FBSPL) continues to draws comfort from its experienced and resourceful promoters with diversified revenue profile and comfortable debt protection metrics. However, these rating strengths are partially offset by small scale of operations, leveraged capital structure, elongated operating cycle, intense competition in the industry and exposure to changes in government policies.

Key Rating Sensitivities:

Upward Factor:

- Significant improvement in scale of operations and profitability on a sustained basis
- Reduced dependence on few customers
- 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. Amit and Mr. Tarun Agarwal look after the overall business operations of the company.

- **Diversification initiatives**

The company has diversified product portfolio, which reduces the vulnerability to the demand risks associated with a single product. Initially the company was only engaged in export of Non-Basmati Rice to diversify its operation, FBSPL from 2016 forayed into laying, servicing and maintenance of optical fibers. In FY20 derived ~69% of revenue from trading of rice and rest from duct and laying cables(25% of revenue from trading of rice and the remaining from laying of optical cables in FY19). The company's customer base with its exposure to many industries and companies in different sectors is fairly diversified

- **Comfortable debt protection metrics**

The debt protection metrics of the company remained comfortable over the years marked by its satisfactory profitability with moderate cash accruals. The gross cash accruals of the company witnessed a steady improvement from Rs.1.37 crore in FY18 to Rs.2.47 crore in FY20. The interest coverage remained strong over the years and though moderated in FY20 yet remain strong at 3.93x. Total debt to GCA remained moderate at 4.60 years in FY20. Further during FY20, the company has earned a gross cash accruals Rs.2.47 crore as against its debt repayment obligation of Rs.0.03 crore.



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Key Rating Weaknesses

- **Small scale of operations**

The total operating income of the company registered a CAGR of 21.64% during FY18 -FY20, however the total operational income marginally declined from Rs.37.16 Crore in FY19 to Rs.35.82 crore in FY20. Moreover, revenue generation from laying of the optical fibre cable decreased from Rs 27.64 crore in FY19 to Rs 11.20 crore in FY20 resulting in decrease of job work expenses and led to improvement in absolute value of EBITDA from Rs 3.59 crore to Rs 4.10 crore as on March 31,2020. Small scale of operations restricts the financial flexibility of the company. During 10MFY21, the company has achieved a total operating income of Rs. 17.06 crore. Moreover, it has an order in hand of Rs.37.89 crore as on January 31, 2021 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**

FBSP, 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 certain items etc.

- **Leverage Capital Structure**

The company has a leveraged capital structure with a modest net worth of Rs.6.06 Crore as on March 31, 2020. The overall gearing ratio though improved from 3.88x as on March 31, 2018 to 1.87x as on March 31,2020 yet remained high, driven by accretion of profit to net worth continued. Total indebtedness as reflected by the TOL/TNW also remained high at 3.34x as on March 31, 2020.



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- **Stretched operating cycle**

Operating cycle of company elongated from 68 days in FY19 to 107 days in FY21 due to stretch in collection period. The average collection period elongated from 99 days in FY19 to 183 days in FY20.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

FBSPL liquidity is adequate with modest accruals of Rs 2.47 crore against repayment of Rs 0.03crore as on March 31,2020. Further Average working capital utilisation in the last twelve months ended Jan 2021 was moderate at around 88%. The current ratio & quick ratio of the company is 1.11 and 1.10 on March 31, 2020 (1.06 and 1.01 in FY19). The Liquidity of the company is expected to remain adequate in the near term characterized by expected sufficient cushion in accruals vis-à-vis its repayment obligations in the projected year.

About the Firm

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 69% of revenue is from trading of rice, rest from laying of duct and optical cables in FY'20.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	37.16	35.82
EBITDA	3.59	4.10



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PAT	1.40	1.71
Total Debt	11.93	11.34
Tangible Net worth	4.34	6.06
EBITDA Margin (%)	9.66	11.43
PAT Margin (%)	3.77	4.78
Overall Gearing Ratio (x)	2.75	1.87

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Limits- Cash Credit	Long Term	5.00*	IVR BB/ Stable Outlook	IVR BB/ Stable	-	-

** PC/PCFC/FDBP is sublimit of CC 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:

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widening its product 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
Fund Based Limits- Cash Credit*	-	-	-	5.00	IVR BB/ Stable Outlook

* PC/PCFC/FDBP is sublimit of CC to the extent of Rs.4 crore

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Fossil-Business-lenders-mar21.pdf>