Press Release

Foyer Mines and Minerals Private Limited

April 18, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 23.00 crore
Long Term Rating	ACUITE B / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' **(read as ACUITE B)** to the Rs. 23.00 crore bank facilities of Foyer Mines and Minerals Private Ltd (FMPL). The outlook is **'Stable'**.

FMPL, incorporated on 26 May, 2016, has been formed for the purpose of quarrying various kinds of rocks and minerals including manufacture of M-sand and plaster sand. The Directors of the company are Mr.M.Kondal Rao and Mr.Kavishwar Rao. The company has been set up a stone crusher plant at Bangalore.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of FMPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

FMPL was incorporated in May 2016. The Directors are engaged in constructions and development of commercial and residential property in Bangalore and have a track record of nearly 2 decades. The Directors are currently managing Foyer Constructions (P) Ltd, which has completed 11 residential projects in Bangalore and Hyderabad. They also have completed 2 commercial projects in Bangalore. On total, the company has successfully constructed 792,959 sq. ft. of built up area.

Close proximity to raw materials availability and source

The quarry, which is located nearby to the crusher plant, will supply the blue metal for the manufacturing of M-Sand and plastering Sand. The company has got the quarry license for 5 years. Hence, the sourcing of raw Materials for the proposed manufacturing plant would not be a problem. However, for now the plant will get the continuous supply of Blue metals from the quarry.

Weaknesses

Below average financial risk profile

The financial risk profile is weak marked by high gearing (debt-to-equity) and total outside liabilities to total net worth (TOL/TNW). The gearing (debt-equity) stood at 3.73 times on 31 March, 2018. TOL/TNW was also high at 3.99 times as on 31 March, 2018. The total debt of Rs.13.11 crore includes unsecured loan of Rs.5.58 crore and term loan outstanding of Rs.6.95 crore as on 31 March, 2018. The net worth stood low at Rs. 3.51 crore as on 31 March, 2018. Below average net worth and high working capital requirement are expected to keep gearing levels high over the near to medium term. Debt protection metrics also stood below average with interest coverage ratio (ICR) at negative 0.97 times as on March, 2018 and net cash accruals to total debt (NCA/TD) of negative 0.25 times in FY2018. Acuité believes that maintaining a stable financial risk profile will be crucial for overall sustainability.

Limited track record of operations
The project has been completed by October 2017 and the operations have commenced from the March, 2018. At present, the company has crushing capacity of 60,000 metric per month. The company has registered Rs. 4.62 crore for the period April 2018 to February, 2019.

Liquidity Position:
FMPL has inadequate liquidity marked by negative net cash accruals to its maturing debt obligations. The company had negative cash accruals of Rs.0.27 crore during FY2018 due to initial year of operations. The cash accruals of the company are estimated to remain around Rs.0.32 – 1.85 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.22 crore. The commercial operations commenced from March, 2018. The current ratio stood comfortable at 1.96 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain weak over the medium term on account of low cash accrual as compared to repayments over the medium term.

Outlook: Stable
ACUITE believes FMMP will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues, or in case of deterioration in the profitability. Going forward management of the working capital cycle will remain a key rating sensitivity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	0.00
EBITDA	Rs. Cr.	(0.17)
PAT	Rs. Cr.	(0.27)
EBITDA Margin	(%)	21.60
PAT Margin	(%)	(-)
ROCE	(%)	(15.46)
Total Debt/Tangible Net Worth	Times	(3.73)
PBDIT/Interest	Times	(0.97)
Total Debt/PBDIT	Times	(8.14)
Gross Current Assets (Days)	Days	-

Status of non-cooperation with previous CRA (if applicable)
Not applicable

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Feb-2018	Term Loans	Long Term	23.00	ACUITE B/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	7.31	ACUITE B/ Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	15.69	ACUITE B/ Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 6,000 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.