

Press Release

Fossil Business Solution Private Limited

March 07, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 10.00 crore bank facilities of Fossil Business Solution Private Limited (FBPL). The outlook is '**Stable**'.

Incorporated in 2013, FBPL is a Kolkata based company promoted by Mr. Tarun Kumar Agarwal. Since inception, the company is engaged in the trading and exporting of rice. Since December 2016, the company forayed into servicing and maintenance of optical fibre cable for telecom companies with intent to diversify their operations. Currently, the company generates around 79 per cent of total revenues through telecom services and 21 per cent through rice exports.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of FBPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The director, Mr. Tarun Kumar Agarwal possesses extensive experience of over 5 years in trading and export of rice. The company has diversified their operations and forayed into servicing and maintenance of optical fibre cable from December, 2016.

- **Improved profitability margins**

The operating profitability of FBPL has improved consistently during the last three years from 1.49 per cent in FY 2016 to 6.34 per cent in FY 2017 to 11.39 per cent in FY 2018. The improvement in margins is due to higher proportion of revenue from servicing and maintenance of optical fibre cable for telecom companies where margins are better. The proportion of revenue from telecom companies increased to 30 per cent in FY 2018 from 8 per cent in FY 2017. During the current year, the profitability margins are expected to improve further as the company has achieved Rs.25.35 crore of revenues till December 2018 (Provisional) and the proportion of revenue from telecom companies has increased to ~ 79 per cent.

Weaknesses

- **Limited pricing flexibility**

FBPL provides services to companies such as Bharat Sanchar Nigam Limited (BSNL) and Reliance Corporate IT Park Ltd, the business of which is tender based. This in turn restricts pricing flexibility of the service providers.

- **Modest scale of operations**

The modest scale of operations is marked by revenue of Rs.19.53 crore in FY 2018 as against Rs.12.93 crore in FY 2017. Further, the company has achieved revenues of Rs.25.35 crore as on 31 December, 2018 (Provisional). FBPL currently has orders in hand of Rs.3.00 crore which will be executed in next 2-3

months. Going forward, the ability of the company to receive new tenders from telecom companies will be a key rating sensitivity.

• **Average financial risk profile**

The company's financial risk profile is average marked by low net worth, high gearing and healthy debt protection measures. The net worth of the company stood at Rs.1.91 crore as on 31 March, 2018 as against Rs.1.28 crore in the previous year. The gearing deteriorated to 3.88 times as on 31 March, 2018 from 3.25 times in the previous year on account of increased short term working capital borrowings. Total debt of Rs.7.40 crore consist of Rs.1.92 crore of long term borrowings, Rs. 0.75 crore of unsecured loans from director and relatives and short term borrowings of Rs 4.72 crore. However, the debt protection metrics are comfortable marked by interest coverage ratio (ICR) of 3.24 times in FY2018 and debt service coverage ratio (DSCR) of 2.82 times as on March 31, 2018. The net cash accruals to total debt remained comfortable at 0.17 times as on March 31, 2018.

Outlook: Stable

Acuité believes that FBPL will maintain a 'Stable' business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers sustainable growth in scale of operations while improving its financial risk profile. The outlook may be revised to 'Negative' in case of dip in the scale of operations and profitability or deterioration in the financial risk profile.

Liquidity profile

FBSPL has moderate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.26 crore during FY18, while its maturing debt obligations stood at Rs.0.79 crore over the same period. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 113 in FY 2018 and the cash credit limit of the company remains utilised at 90 percent on an average. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2018. The current ratio of the company stood low at 0.95 times as on March 31, 2018.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.53	12.93	9.58
EBITDA	Rs. Cr.	2.22	0.82	0.14
PAT	Rs. Cr.	0.62	0.37	0.05
EBITDA Margin	(%)	11.39	6.34	1.49
PAT Margin	(%)	3.19	2.89	0.57
ROCE	(%)	21.39	22.11	37.64
Total Debt/Tangible Net Worth	Times	3.88	3.25	8.52
PBDIT/Interest	Times	3.24	6.95	4.74
Total Debt/PBDIT	Times	3.30	5.05	3.58
Gross Current Assets (Days)	Days	113	198	90

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+

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About Acuité Ratings & Research:

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