

## Press Release

Fomento Resources Private Limited

July 12, 2022



### Rating Reaffirmed & Withdrawn

| Product                               | Quantum<br>(Rs. Cr) | Long Term Rating                     | Short Term Rating |
|---------------------------------------|---------------------|--------------------------------------|-------------------|
| Bank Loan Ratings                     | 143.79              | ACUITE BBB-   Reaffirmed & Withdrawn | -                 |
| Total Outstanding Quantum<br>(Rs. Cr) | 0.00                | -                                    | -                 |
| Total Withdrawn Quantum<br>(Rs. Cr)   | 143.79              | -                                    | -                 |

### Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of 'ACUITE BBB-' (read as Acuite triple B minus) on the Rs. 143.79 Cr. bank loan facilities of Fomento Resources Private Limited. (FRPL).

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

### About the Company

Incorporated in 2010, Goa based Fomento Resources Private Limited (FRPL) is engaged in the business of trading in iron ore. However, due to continuing ban of mining activity in the state of Goa, the trading of iron ore is completely at halt from Goa region. Soon after its incorporation, and as a means of business expansion, the company acquired mining rights in Bimbol Mine, Goa vested with the company Eyestar Finance and Leasing Private Limited (EFLPL). FRPL is part of Fomento Group which is into diversified business including Mining & Mineral Development, Trading (Domestic & Exports), Hospitality, Media, Logistics (Surface and Marine). Before setting up of FRPL, the group operated mines in Goa, Maharashtra and Karnataka through Prime Mineral Exports Private Limited (PMEPL) and Fomento (Karnataka) Mining Company Private Limited (FKPL) respectively. PMEPL and FKPL were subsequently merged with FRPL pursuant to the order of Hon'ble High Court of Bombay at Goa dated 28th January, 2015. The company's day-to-day operations are managed by its Managing Director, Mr. Ambar Timblo along with other directors which includes Mr. Shankar Narayan and Mr. Shafeeq Mitha.

### Analytical Approach

Acuite has considered the standalone financial and business risk profile of FRPL to arrive at the rating. The rating has been notched up for parent support from Sociedade De Fomento Industrial Private Limited (SFI).

### Key Rating Drivers

#### Strengths

#### Experienced Management

FRPL started its operations in 2010 under the leadership of managing director, Mr. Ambar



Auduth Timblo who has graduated from London School of Economics (LSE), UK with BSc in economics and looks after the overall operations of the business. Other directors includes Mr. Shankar Narayan who looks after finance and accounts. Mr. Shafeeq Ismail Mitha who looks after IT. Management possesses experience of around two decades in mining industry. The extensive experience has enabled the company forge healthy relationships with suppliers. Acuité believes that the company will continue to benefit from its experienced management expertise in mining industry and established relationships with suppliers.

### **Improved financial risk profile**

Significant improvement in FRPL's financial risk profile has been observed on account improvement in its operational performance. Net worth stood healthy at Rs. 1693.80 as on March 31, 2022 (Prov.) improving from Rs. 1581.48 Cr. as on March 31, 2021 and total debt stands at Rs. 300 Cr. reducing from Rs. 312 Cr. in FY2021. This is on account of healthy accretion of reserves. Interest coverage ratio (ICR) and Debt service coverage ratio (DSCR) improved to 5.45 times and 1.65 times in FY2022 against 4.75 times and 1.44 times in FY2021. FRPL has prepaid its loan from Indusind bank in April 2022 which was due in July 2022.

Acuité expects FRPL to maintain a stable financial risk profile on account of stable operating performance and support available from its parent entity (SFI)

### **Weaknesses**

#### **Working capital intensive capital**

The working capital of FRPL is intensive marked by high Gross Current Asset (GCA) days of 231 for FY2022 (Prov.) as against 303 in the previous year. This is majorly because of the loans and advances to its two group companies. The debtor days stood high at 114 for FY2022 as against 207 in FY2021. Further, inventory days stood at 41 for FY2022 as against 54 for FY2021.

#### **Susceptibility to heightened regulatory risks**

Over the past few years, the mining industry has witnessed irregularities (including illegal mining, over mining, encroachment of forest areas, and underpayment of government royalties, and conflicts with the tribal population regarding land rights) in ore-rich states, especially Karnataka, Goa, and Odisha. This led the Hon'ble Supreme Court to impose a ban on mining. The business risk profile remains constrained by high regulatory risk.

### **Rating Sensitivities**

Not Applicable

### **Material covenants**

None

### **Liquidity Position: Adequate**

FRPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 117.12 Cr. in FY2022 and Rs. 104.56 Cr. for FY 2021 against repayment obligation of Rs. 60 Cr. and Rs. 62 Cr. The company's operations remained moderately working capital intensive marked in improved GCA days of 231 days in FY2022 against 303 days in FY2021. The liquidity is further strengthened with support from the parent company.

### **Outlook:**

Not Applicable

### **Other Factors affecting Rating**

None



## Key Financials

| Particulars                   | Unit    | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 268.28              | 324.53         |
| PAT                           | Rs. Cr. | 112.32              | 99.39          |
| PAT Margin                    | (%)     | 41.87               | 30.63          |
| Total Debt/Tangible Net Worth | Times   | 0.18                | 0.16           |
| PBDIT/Interest                | Times   | 5.45                | 4.75           |

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

Not Applicable

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

| Date        | Name of Instruments/Facilities | Term      | Amount (Rs. Cr) | Rating/Outlook  |
|-------------|--------------------------------|-----------|-----------------|---|
| 16 Apr 2021 | Term Loan                      | Long Term | 42.00           | ACUITE BBB-   Stable (Upgraded from ACUITE BB(CE)   Stable) |
|             | Term Loan                      | Long Term | 94.79           | ACUITE BBB-   Stable (Upgraded from ACUITE BB(CE)   Stable) |
|             | Cash Credit                    | Long Term | 7.00            | ACUITE BBB-   Stable (Upgraded from ACUITE BB(CE)   Stable) |
| 17 Jan 2020 | Term Loan                      | Long Term | 94.79           | ACUITE BB(CE)   Stable (Assigned)                           |
|             | Term Loan                      | Long Term | 42.00           | ACUITE BB(CE)   Stable (Assigned)                           |
|             | Cash Credit                    | Long Term | 7.00            | ACUITE BB(CE)   Stable (Assigned)                           |



**Annexure - Details of instruments rated**

| <b>Lender's Name</b> | <b>ISIN</b>    | <b>Facilities</b> | <b>Date Of Issuance</b> | <b>Coupon Rate</b> | <b>Maturity Date</b> | <b>Quantum (Rs. Cr.)</b> | <b>Rating</b>                        |
|----------------------|----------------|-------------------|-------------------------|--------------------|----------------------|--------------------------|--------------------------------------|
| HDFC Bank Ltd        | Not Applicable | Cash Credit       | Not Applicable          | Not Applicable     | Not Applicable       | 7.00                     | ACUITE BBB-   Reaffirmed & Withdrawn |
| Indusind Bank Ltd    | Not Applicable | Term Loan         | 19-06-2017              | 11.00              | 30-06-2022           | 42.00                    | ACUITE BBB-   Reaffirmed & Withdrawn |
| HDFC Bank Ltd        | Not Applicable | Term Loan         | 30-05-2017              | 11.40              | 31-03-2023           | 94.79                    | ACUITE BBB-   Reaffirmed & Withdrawn |



## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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