

Press Release
FORTUNE GROUP
February 28, 2024



Rating Reaffirmed and Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.76	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	17.74	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	1.00	Not Applicable Withdrawn	-
Bank Loan Ratings	32.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	0.50	-	ACUITE A3 Reaffirmed & Withdrawn
Bank Loan Ratings	8.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	49.74	-	-
Total Withdrawn Quantum (Rs. Cr)	10.26	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB- (read as Acuite t riple B minus)**' on the Rs.17.74 Cr. bank facilities and short term rating of '**ACUITE A3 (read as Acuite A three)**' on the Rs.32 Cr. bank facilities of Fortune Group(FG). Further, Acuite has reaffirmed and withdrawn its long term rating of '**ACUITE BBB- (read as Acuite t riple B minus)**' on the Rs.0.76 Cr. bank facilities and short term rating of '**ACUITE A3 (read as Acuite A three)**' on Rs.00.50 Cr. bank facilities of FG. Acuite also has withdrawn its long-term rating on Rs.1.00 Cr. and short term rating on Rs.8.00 Cr. proposed bank facilities without assigning any ratings. The rating has been withdrawn as per Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company and revised sanction letter.

Rationale for Rating Reaffirmation

The rating reaffirmation considers FG's long track record of operations, healthy financial risk profile characterized by comfortable gearing, moderate net worth levels and debt coverage indicators. The rating also draws comfort from the extensive experience of the partners in the civil construction industry, along with reputed client profile of the firm. Further the firm reported a revenue growth of ~28% in FY2023 and stood at Rs.130.86 Cr against Rs. 102.14 Cr in the previous fiscal. The firm has a healthy unexecuted order book position of Rs.361 Cr as of February 2024, reflecting revenue visibility over the medium term. The firm has reported revenue of Rs.149.65 Cr in 10MFY24 and is expected to close the year in the range of Rs.175-185 Cr.

However, these strengths are partially offset by increasing but moderate scale of operations and high degree of geographical and customer concentration in the firm's order book and working capital intensive nature of operations.

About the Company

M/s Fortune group (FG) was initially set up as a proprietorship firm in 2003 and reconstituted as a partnership firm in 2010 with Mr. Tapas Kumar Pathy, Mr. Rajendra Narayan Nayak and Mrs. Meenakshi Panda as partners. Presently, the firm is governed by the partnership deed with a profit-sharing ratio of 85:10:5. Until 2020, the firm was operational mostly in Odisha, then later expanded into new geographies like Jharkhand and Nagaland. The firm secures all its contract through tender driven open bidding process. The firm offers a wide range of services in construction and infrastructure related developmental works across several sectors which includes execution of heavy earth work, construction of road embankment, raising of subgrade, concrete structures, asphalt topping of roads, reservoirs, steel structures, road projects, drainage work, etc. with major focus on roads and bridges. It specializes in road highway projects involving both rigid and flexible pavement and large-scale formation. It is registered as a "Super Class" contractor with Odisha State R&B dept., Odisha State irrigation dept., Odisha State RWD dept. and Odisha State RWSS dept. It was also awarded with Best Quality Trophy by Dhamra Port Limited.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of FG to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established relationship with reputed clients

Established in 2010, Fortune Group (FG) has a long track record of operations in the civil construction industry. The key partner, Mr Tapas Kumar Pathy, has more than two decades of experience in the civil construction industry through his erstwhile proprietorship concern, Fortune, established in 2003. It has successfully completed various projects under different departments of Government of Odisha like R&B, Irrigation, RWD and RWSS. The long-standing experience of the promoter and long track record of operations has helped them to establish comfortable relationships with reputed customers both in Government and private sector, like NHIDCL, East Coast Railway, Paradeep Port, Dhamara Port Limited, Tata Steel Limited, L&T Constructions, and others. Acuite derives comfort from the long track record of operations, experienced management, relationship with reputed customers and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

Stable business risk profile supported by healthy order book position

The operating revenue of the firm increased to Rs.130.86 Cr as on March 31, 2023 as against Rs.102.14 Cr in the previous year. Further, the firm has achieved a revenue of ~ Rs149.65 Cr in 10MFY2024. Further, the firm has a healthy order book position with unexecuted orders in hand for infrastructure projects worth ~ Rs.361 Cr which are to be executed in the next one-two years, thereby providing strong revenue visibility over the medium term. Acuite believes that the firm will continue to sustain its order book position and maintain its business risk profile over the medium term.

Further, the EBITDA margin moderated marginally to 7.59% in FY2023 as compared to 7.81% in FY2022. The PAT margin improved to 3.33% in FY2023 as against 3.18% in the previous year. The RoCE levels stood comfortable at 15.15 per cent in FY2023 as against 14.28% in FY2022. Though the firm's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has an inbuilt price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts. Going forward, the improvement in profitability margins will remain a key rating sensitivity.

Healthy financial risk profile

The firm's healthy financial risk profile is marked by moderate net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company increased to

Rs.36.49 Cr as on 31st March 2023 from Rs.31.45 Cr in the previous year due to ploughing back of profits. The gearing of the firm stood below unity at 0.66 times as on March 31, 2023 as compared to 0.81 times during the same period. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.61 times in FY2023 as compared to 1.77 times in the previous year. The moderate debt protection metrics of the firm are marked by Interest Coverage Ratio of 4.84 times and Debt Service coverage ratio of 2.05 times in FY2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.25 times in FY2023 against 0.19 times in the previous year. Acuité believes that going forward the financial risk profile of the firm will be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the firm is marked by high albeit improving GCA days of 170 days as on March 31, 2023 as compared to 222 days in the previous year. The high GCA days are mainly led by significant security deposit kept with the tendering department. Moreover, these security deposits cannot be released before the completion of the projects. However, the inventory days have reduced to 24 days as on March 31, 2023 as against 70 days in the previous year. The debtor period stood at 60 days as on March 31, 2023 as against 55 days in the previous year. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism and moderate inventory levels over the medium term. Nonetheless, the firm has substantial dependence on its suppliers and creditors to support the working capital; creditors stood high at 170 days as on March 31, 2023.

Competitive and fragmented nature of industry coupled with tender based business and geographically concentrated order book

The firm is engaged as a civil contractor and the sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the firm must make bid for such tenders on competitive prices, which may affect the profitability of the firm.

Further, the firm is exposed to the risk associated with geographical concentration as the firm's order book is concentrated in the state of Odisha.

Rating Sensitivities

Elongation of working capital cycle

Reduction in order flow

Growth in scale of operations and improvement in profitability.

Liquidity Position

Adequate

The firm's liquidity position is adequate marked by net cash accruals generation of Rs.6.10 Cr in FY2023 as against debt repayment obligation of Rs.1.85 Cr over the same period. Further, the current ratio stood comfortable at 1.68 times as on March 31, 2023. However, the fund-based limit utilized at 62 per cent for 11 months ended November 2023 and non-fund based limited remained utilized at 59 per cent for the same period. The cash and bank balance stood at Rs.5.05 Cr as on March 31, 2023. Further, the firm has unencumbered fixed deposits of Rs.7.13 Cr as of March 31, 2023. Moreover, the working capital intensive nature of operations of the firm is marked by high albeit improving GCA days of 170 days as on March 31, 2023, as against 222 days in the previous year. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

Outlook:Stable

Acuité believes the outlook on FG will remain 'stable' over the medium term backed by experience of its partner and healthy order book position. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues

or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position or delay in completion of its projects or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	130.86	102.14
PAT	Rs. Cr.	4.36	3.25
PAT Margin	(%)	3.33	3.18
Total Debt/Tangible Net Worth	Times	0.66	0.81
PBDIT/Interest	Times	4.84	4.10

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Dec 2022	Proposed Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	32.50	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A3 Reaffirmed & Withdrawn
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	Not Applicable Withdrawn
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.74	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.76	ACUITE BBB- Reaffirmed & Withdrawn

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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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