



**Press Release**  
**FORTUNE GROUP**  
**January 29, 2025**  
**Rating Assigned and Upgraded**

| Product                            | Quantum (Rs. Cr) | Long Term Rating               | Short Term Rating     |
|------------------------------------|------------------|--------------------------------|-----------------------|
| Bank Loan Ratings                  | 8.00             | ACUITE BBB   Stable   Assigned | -                     |
| Bank Loan Ratings                  | 17.74            | ACUITE BBB   Stable   Upgraded | -                     |
| Bank Loan Ratings                  | 33.00            | -                              | ACUITE A3+   Assigned |
| Bank Loan Ratings                  | 32.00            | -                              | ACUITE A3+   Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 90.74            | -                              | -                     |
| Total Withdrawn Quantum (Rs. Cr)   | 0.00             | -                              | -                     |

**Rating Rationale**

Acuite has upgraded its long-term rating to ‘ACUITE BBB’ (read as ACUITE triple Bf) from ‘ACUITE BBB-’ (read as ACUITE Triple B Minus) on Rs.17.74 crore bank facilities and its short-term rating to ‘ACUITE A3+’ (read as ACUITE A three Plus) from ‘ACUITE A3’ (read as ACUITE A Three) on the Rs.32.00 crore bank facilities of Fortune Group (FG). The outlook is ‘Stable’.

Acuite has also assigned its long-term rating of ‘ACUITE BBB’ (read as ACUITE Triple B) on Rs.8.00 crore bank facilities and the short-term rating of ‘ACUITE A3+’ (read as ACUITE A three Plus) on the Rs.33.00 crore bank facilities of Fortune Group (FG). The outlook is ‘Stable’.

**Rationale for Rating Upgrade**

The rating upgrade considers FG’s long track record of operations, improved financial risk profile supported by low debt levels, a moderate net worth, and comfortable debt coverage indicators. Further, the rating considers improvement in the operating performance of the firm as the operating income in FY2024 stood at Rs.209.70 crore against Rs.130.86 crore in FY2023 and Rs.102.14 Cr. in FY2022. However, despite the growth in revenue the operating profit margin declined marginally to 6.84 percent in FY2024 against 7.59 percent in FY2023. The decline in operating margin in FY24 is primarily due to increase in raw material prices and employee costs. FG also has a moderate unexecuted order book position of Rs.327.51 Cr. as of December 2024, reflecting revenue visibility in the near-medium term.

However, the rating is constrained on account of moderate working capital operations, presence in a competitive and fragmented industry coupled with tender based business and geographically concentrated order book.

**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

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has considered standalone business and financial risk profile of Fortune Group (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 longstanding experience of the promoter and long track record of operations has helped them to establish healthy 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. Acuité derives comfort from the long track record of operations, experienced management, relationship with reputed customers and believes this will continue to 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.209.70 Cr. as on March 31, 2024 as against Rs.130.86 Cr. in the previous year. Further, the firm has achieved a revenue of ~ Rs163.92 Cr. in 9MFY2025. Furthermore, the firm has a healthy order book position with unexecuted orders in hand for infrastructure projects worth ~ Rs.327.51 Cr. which are to be executed in the next one-two years, thereby providing moderate revenue visibility over the medium term. Acuité believes that the firm will continue to sustain its order book position and maintain its business risk profile over the medium term.

However, the EBITDA margin declined marginally to 6.84% in FY2024 as compared to 7.59% in FY2023. The decline in operating margin in FY24 is primarily due to increase in raw material prices and employee costs. The PAT margin improved to 3.70% in FY2024 as against 3.33% in the previous year.

Going forward, the improvement in profitability margins also with consistence increase in order book position will remain a key rating sensitivity.

#### Improved financial risk profile

The financial risk profile of the firm improved and remained healthy marked by moderate network, low gearing and comfortable debt protection metrics. The net worth of the firm stood at Rs. 45.29 Cr. as on March 31st, 2024 as against Rs. 36.49 Cr. as on March 31st, 2023 due to accretion of profits to reserve and infusion of capital by the partners in the firm. The total debt of the firm stood at Rs. 16.44 Cr. as on March 31, 2024 as against Rs. 24.06 Cr. as on March 31, 2023. The gearing of the firm improved and stood below unity at 0.36 times as on March 31, 2024 as compared to 0.66 times as on March 31, 2023. The TOL/TNW of the firm stood at 1.23 times as on March 31, 2024 as against 1.61 times as on March 31, 2023. Further, the debt protection metrics of the firm stood comfortable reflected by debt service coverage ratio of 2.98 times for FY2024 as against 2.05 times for FY2023. The interest coverage ratio stood at 10.04 times for FY24 as against 4.84 times for FY23. The net cash accruals to total debt (NCA/TD) stood at 0.59 times in FY2024 as compared to 0.25 times in the previous year. Acuité believes that going forward the financial risk profile is expected to improve on account of healthy accruals generation and in absence of any major debt funded capex over the medium term.

## 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 113 days as on March 31, 2024 as compared to 171 days in the previous year. The inventory levels stood at 27 days in FY2024 when compared against 24 days in FY2023. The debtor days stood at 35 days in FY2024 as compared against 60 days in FY2023. The creditor days stood at 162 days in FY2024 as against 201 days in FY2023. The working capital limits are moderately utilized as evident from ~47.71% utilisation of fund-based facilities and ~66.30% utilisation of non-fund-based limits in the last 12 months ending November 2024.

### **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**

- Growth in scale of operations and improvement in profitability.
- Sustained order-book growth.
- Any significant elongation in working capital cycle.

### **Liquidity Position**

#### **Adequate**

The firm's liquidity position is adequate. The firm generated sufficient net cash accruals of Rs. 9.73 Cr. in FY2024 as against its maturing debt obligations of Rs.2.24 Cr. in the same tenure. In addition, it is expected to generate sufficient cash accruals against its maturing repayment obligations over the medium term. The cash and bank balances of the firm stood at Rs. 7.53 Cr. as on March 31, 2024. The current ratio stood comfortable at 1.83 times as on March 31, 2024, as compared to 1.68 times as on March 31, 2023. Further, the working capital management of the firm is intensive marked by Gross Current Assets (GCA) of 113 days in FY2024 as against 171 days in the previous year, however, the reliance on working capital limits is moderate with average fund-based limit utilisation at 47.71% and non-fund based at ~66.30% over the past 12 months ending November 2024.

Acuité believes that going forward the firm will maintain adequate liquidity position owing to steady accruals.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

| Particulars                   | Unit    | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 209.70         | 130.86         |
| PAT                           | Rs. Cr. | 7.77           | 4.36           |
| PAT Margin                    | (%)     | 3.70           | 3.33           |
| Total Debt/Tangible Net Worth | Times   | 0.36           | 0.66           |
| PBDIT/Interest                | Times   | 10.04          | 4.84           |

**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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

| Date        | Name of Instruments/Facilities | Term       | Amount (Rs. Cr) | Rating/Outlook                       |
|-------------|--------------------------------|------------|-----------------|--------------------------------------|
| 28 Feb 2024 | Bank Guarantee (BLR)           | Short Term | 0.50            | ACUITE A3 (Reaffirmed & Withdrawn)   |
|             | Bank Guarantee                 | Short Term | 32.00           | ACUITE A3 (Reaffirmed)               |
|             | Term Loan                      | Long Term  | 0.76            | ACUITE BBB- (Reaffirmed & Withdrawn) |
|             | Cash Credit                    | Long Term  | 17.00           | ACUITE BBB-   Stable (Reaffirmed)    |
|             | Term Loan                      | Long Term  | 0.74            | ACUITE BBB-   Stable (Reaffirmed)    |
|             | Proposed Cash Credit           | Long Term  | 1.00            | ACUITE Not Applicable (Withdrawn)    |
|             | Proposed Bank Guarantee        | Short Term | 8.00            | ACUITE Not Applicable (Withdrawn)    |
| 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        | Quantum (Rs. Cr.) | Complexity Level | Rating  |
|----------------------|----------------------|-------------------------|----------------------|----------------------|----------------------|-------------------|------------------|---|
| Punjab National Bank | Not avl. / Not appl. | Bank Guarantee (BLR)    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 32.00             | Simple           | ACUITE A3+   Upgraded ( from ACUITE A3 )            |
| Punjab National Bank | Not avl. / Not appl. | Cash Credit             | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 17.00             | Simple           | ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- ) |
| Not Applicable       | Not avl. / Not appl. | Proposed Bank Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 33.00             | Simple           | ACUITE A3+   Assigned                               |
| Not Applicable       | Not avl. / Not appl. | Proposed Cash Credit    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.48              | Simple           | ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- ) |
| Not Applicable       | Not avl. / Not appl. | Proposed Cash Credit    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 8.00              | Simple           | ACUITE BBB   Stable   Assigned                      |
| Punjab National Bank | Not avl. / Not appl. | Term Loan               | Not avl. / Not appl. | Not avl. / Not appl. | 31 Dec 2025          | 0.26              | Simple           | ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- ) |

## Contacts

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|---|---|
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### About Acuité Ratings & Research

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