



Press Release

Fortune Resources Private Limited

January 29, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facility- Fund based Limit	7.50	IVR A- (CE)/ Stable (IVR Single A Minus [Credit Enhancement] with Stable Outlook)	Assigned
2.	Proposed Long Term Bank Facility- Fund based Limit	2.50	IVR A- (CE)/ Stable (IVR Single A Minus [Credit Enhancement] with Stable Outlook)	Assigned
	Total	10.00 (Rupees ten crore only)		

**CE rating is backed by shortfall undertaking extended by Hind Energy and Coal Benefication (India) Limited (HECBL)*

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the above bank facilities of Fortune Resources Private Limited (FRPL), a part of Hind Energy group derives strength from the shortfall undertaking extended by HECBL to the bank facilities of FRPL. This shortfall undertaking (duly backed by board resolution of HECBL) results in credit enhancement in the ratings of the said instruments to **IVR A-(CE); Stable (IVR Single A Minus [Credit Enhancement] with Stable Outlook)** against the unsupported rating of **IVR BBB/Stable (IVR Triple B with Stable Outlook)**. The aforesaid rating assigned to the bank facilities of Fortune Resources Private Limited (FRPL) derives comfort from its experienced promoters and proven past track record of the group, favourable location of the project and comfortable project cost structure. However, these rating strengths are partially offset by exposure to project execution risk related to one project and exposure to risks relating to cyclical in real estate industry.

Key Rating Sensitivities:



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Upward Factors

- Timely completion of the projects
- Sale of inventory at competitive rates

Downward Factors

- Significant delay in completion of project.
- Significant cost overrun of the project.
- Lower than expected booking status

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of the group

Fortune Resources Pvt Ltd belongs to the Hind group of Chhattisgarh which was formed in 2005 by four promoters viz. Mr. Pawan Agarwal, Mr. Satish Agarwal, Mr. Sanjay Agarwal & Mr Rajeev Agarwal. The group is engaged in the business of coal handling, washing & trading, logistics and real estate development through its wholly owned subsidiary, the Hind Group. The group has successfully completed two residential and commercial projects with total saleable area of ~12 lacs sft in Bilaspur. At present, two phases of project Swarna Bhoomi (Residential) with total saleable area of ~42.24 Lakhs sft are on-going under Fortune Resources Pvt Ltd. Few major construction of the group are Hind Life City, Hind Green City etc.

Resourceful & experienced promoters

Promoters of the company have been associated with the real estate industry for close to two decades. Mr. Rajesh Agrawal, Mr. Rajeev Agrawal and Mr. Sanjay Agrawal are the major promoter of the company and carrying 15+ years of experience in the construction business. The promoters are resourceful and well connected in the state of Chhattisgarh.

Favourable project location

The ongoing project 'Swarna Bhoomi' Phase I and Phase II is located at the prime location at Raipur, Chhattisgarh. Project location is surrounded by all basic necessities and facilities such as schools, hospitals, restaurants, entertainment, ATM's, Bank, Medical stores etc. which can be accessible easily.

Comfortable project cost structure



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The company has proposed to develop the residential project with the mix of customer advances, debt and capital. For Phase I, Total estimated cost of the project is Rs.293.00 Cr, which is projected to meet through promoters' fund of Rs.16.79 Cr and customer advances of Rs.276.21 Cr. Customer Advances/ Sales Receipt amount to total cost of project is 94.27% and Promoter funds to total cost is 5.73%. For Phase II, total estimated cost of the project is Rs.220.38 Cr, which is projected to meet through promoters' fund of Rs.50.77 Cr, debt of Rs.25.00 Cr, and customer advances of Rs.137.00 Cr. Loan amount to total cost of project is 11.75% and Promoter and other funds to total cost is 88.25%.

Key Weaknesses

Project Execution Risk

Construction of residential project is still in progress. Though the project has received all necessary regulatory clearances, the expected date of completion of Phase I and Phase II is March 2021 and August 2022 respectively. The implementation period makes the company susceptible to time and cost overruns, which may affect profitability. Although, operational ability to sell the units is key to meet the debt obligation on time.

Exposure to risks relating to cyclicity in real estate industry

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may affect the debt servicing ability of the company. FRPL will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of HECBL.

HECBL has extended a shortfall undertaking (Supported by a Board Resolution) where it undertakes to infuse funds in FRPL whenever required to meet its interest and loan repayment obligations in case of any shortfall. Hence, the ratings are supported by a payment mechanism to ensure the fulfilment of the debt obligations on the rated instruments.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Rating methodology for Structure Debt Transaction (Non-securitisation transaction)



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Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity Position: Adequate

Fortune Resources Pvt Ltd is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. Further, the company is likely to be benefited from the resourcefulness of the promoter group. Overall liquidity position is expected to remain adequate in the near term.

About Fortune Resources Private Limited

Fortune Resources Private Limited was incorporated in July, 2007 in Kolkata, West Bengal, is a part of Hind Group. FRPL is a special purpose vehicle (SPV) and is currently constructing the 'Swarna Bhoomi' project at Shankar Nagar, Raipur, Chhattisgarh.

At present, FRPL is engaged into development of Phase I and Phase II of Swarna Bhoomi Project under consideration having saleable area of 17,00,740 sq feet and 25,22,783 sq feet respectively.

About Hind Energy and Coal Beneficiation (India) Limited

Bilaspur-based HECBL was incorporated in 2005 by Mr. Pawan Kumar Agrawal, Mr. Rajeev Agrawal, Mr. Sanjay Agrawal and Mr. Satish Kumar Agrawal as a private limited company and later the constitution was changed to a limited company in 2010. It beneficiates non-coking coal based on Gross Calorific Value (GCV) requirement of the customers like power generating companies, steel and cement companies. Beside coal beneficiation the company also trades in reject coal, (by-product of Coal Beneficiation process). HECBL currently has coal Beneficiation capacity of 6.48 MTPA. To cater various other coal mines the promoters of HECBL have floated various other companies in nearby coal mining areas engaged in the same line of operation. HECBL is the flagship company of the Hind group which is one of the largest players in the coal beneficiation sector.

Financials : FRPL (Standalone)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	121.01	72.37
EBITDA	24.10	16.08
PAT	15.14	9.76
Total Debt	20.67	19.45
Tangible Net worth	171.24	180.86
EBITDA Margin (%)	19.92	22.22



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For the year ended* / As On	31-03-2019	31-03-2020
PAT Margin (%)	12.46	13.38
Overall Gearing Ratio (x)	0.12	0.11

*Classification as per Infomerics' standards.

Financials: HECBL (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	472.95	536.00
EBITDA	75.38	123.74
PAT	32.34	71.58
Total Debt	101.75	74.57
Tangible Net worth	287.12	358.70
EBITDA Margin (%)	15.94	23.09
PAT Margin (%)	6.80	13.29
Overall Gearing Ratio (x)	0.64	0.35

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	7.50	IVR A-[CE]/ Stable Outlook*	-	-	-
2.	Proposed	Long Term	2.50	IVR A-[CE]/ Stable Outlook*	-	-	-

*based on shortfall undertaking from Hind Energy and Coal Benefication (India) Limited

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits- Cash Credit	-	-	-	7.50	IVR A- [CE]/ Stable Outlook*
Proposed Long Term Fund Based Limits	-	-	-	2.50	IVR A- [CE]/ Stable Outlook*

**backed by shortfall undertaking extended by Hind Energy and Coal Benefication (India) Limited*