



Press Release

Zodiac Dealers Private Limited

December 12, 2020

Ratings

| Instrument/Facility | Amount (Rs. Crore) | Ratings | Rating Action |
|------------------------------|-----------------------|---|------------------|
| Long term Bank Facilities | 70.00 | IVR A- (CE)/Stable Outlook (IVR Single A Minus (CE) with Stable Outlook) | Assigned |
| Total | 70.00 | | |

* CE rating backed by shortfall guarantee for Bank debt and interest payment from Hind Energy Coal and Benefication (India) Limited (HECBL).

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Zodiac Dealers Private Limited (ZDPL) derives comfort from the strength of unconditional and irrevocable shortfall guarantee extended by Hind Energy and Coal Benefication (India) Limited (HECBL – Infomerics Rated IVR Single A with Positive Outlook in Nov, 2020) to the bank facilities of ZDPL. This shortfall guarantee results in an enhancement in the rating of the said instrument to **IVR A- (CE)/Stable Outlook (IVR Single A Minus (CE) with Stable Outlook)** against the unsupported rating of **IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)**.

The aforesaid rating assigned to the bank facilities of Zodiac Dealers Private Limited (ZDPL) derives comfort from its experienced promoters and from past proven track record of the group, comfortable project cost structure and favourable location of the project. However, the rating strengths are partially offset by project execution risk related to one project and exposure to risks relating to cyclical in real estate industry and availability of regulatory risk.

Key Rating Sensitivities

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Upward Factors

- Timely completion of the projects



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- 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

Detailed Description of Key Rating Drivers

Key rating strengths:

Established track record of the group

Zodiac Dealers Pvt Ltd belongs to the Rama 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 Rama Group. The group has successfully completed 2 Residential, Commercial with total saleable area of ~12lacs.sft in Bilaspur. At present, 02 projects (Residential) with total saleable area of 15.26 lacs.sft are on-going under Zodiac Dealers Pvt Ltd. Few major construction of the group are Rama Life City, Rama 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.

Favourable project location

The ongoing project "Sky Life Pahse - I" and "Rama World – Phase- I" is located at the prime location at Raipur Road, Bilaspur, Chattisgarh. 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 Rama World, Total estimated cost of the project is Rs. 122.70 Cr, which is projected to meet through promoters' fund of Rs.14.29 Cr, debt of Rs.30.00 Cr, and customer advances of Rs.78.41 Cr. Loan amount to total cost of project is 24.44% and Promoter and other funds to total cost is 11.65%. In Sky life Phase-I, Total estimated cost of the project is Rs.88.50 Cr, which is projected to meet through promoters' fund of Rs.17.50 Cr, debt of Rs.40.00 Cr, and customer advances of Rs.31.00 Cr. Loan amount to total cost of project is 45.19% and Promoter and other funds to total cost is 19.77%.

Healthy financial performance of the guarantor HECBL:

The total operating income of the HECBL witnessed an erratic trend over the last four years FY17- FY20 (Provisional). The same improved by around 13% in FY20 provisional to Rs.536.00 crore from Rs.472.95 crore in FY19 driven by higher beneficiation and the resultant improvement in rejects availability, which led to higher revenue from the sale of coal. The HECBL's EBITDA level and margin increased from Rs.75.38 crore and 15.94% in FY19 to Rs.123.74 crore and 23.09% in FY20 (provisional) respectively due to better fixed cost absorption across segments coupled with improvement in realisation from the sale of coal rejects. The PAT margin moved in line with the EBITDA margin and witnessed steady improvement in FY20. During H1FY21, the company witnessed downturn in its revenue and has achieved a revenue of Rs.80 crore. This is because, the group is in coal consumption industry which is directly linked to Power Industry. Because of world-wide pandemic and lockdown, all the factories were closed or were running in half of their capacity, leading to lower power consumption and hence affecting coal consumption. HECBL has a comfortable capital structure on the back of its satisfactory net worth base of Rs.210.59 crore s on March 31, 2020 (after adjusting for all the investments and loans and advance in group companies). The overall gearing ratio of HECBL remains comfortable and stood at 0.64 on Mar.31, 2019 vis-a-vis 0.58x as on March 31, 2018. However, as per FY20 provisional, overall gearing of HECBL has improved to 0.35x with accretion of profit to reserves and scheduled repayment of term loans. Total indebtedness of the HECBL as reflected by the TOL/TNW stood satisfactory at 0.55x as on March 31, 2020 (Prov.). Debt protection parameters marked by interest coverage ratio and Total Debt to GCA remained comfortable at 8.82x and 2.07 years



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in FY19. As per FY20 (Provisional), HECBL reported interest coverage of 12.95x and Total debt to GCA of 0.83 years.

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 Rama Word and Sky Life in November, 2020 (In process to get extension up to June, 2021) and November, 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 firm. ZDPL will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of Hind Energy and Coal Benefication (India) Limited (HECBL), provider of unconditional and irrevocable Shortfall Undertaking to the bank facilities of Zodiac Dealers Pvt Ltd.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Rating Methodology for Manufacturing Companies

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

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Zodiac Dealers 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



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company is likely to be benefited from the resourcefulness of the promoter group. Overall liquidity position is expected to be adequate.

About the Company

Hind Energy and Coal Benefication (India) Limited (Guarantor):

Bilaspur-based, Hind Energy and Coal Benefication (India) Limited 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 benefication the company also trades in reject coal, (by-product of Coal Beneficiation process). HECBIL currently has coal benefication 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. Over the years, the promoters made organic and inorganic expansion both through association with other players operating in the same segment. At present HECBL has established its own coal washing facilities and railway sidings at various important locations near coal mines. HECBL is the flagship company of the Hind group which is one of the largest players in the coal benefication sector.

Zodiac Dealers Private Limited:

Zodiac Dealers Private Limited was incorporated in the year 2005 and is located in Kolkata, West Bengal. It is closely held company and shares of the Company are held by Family members and a part of Rama Group. ZDPL has been promoted by the Mr. Rajesh Agrawal, Sanjay Agrawal & Rajeev Agrawal.

At present, ZDPL is engaged into development of two residential projects name Sky life & Rama World in Bilaspur, Chhattisgarh under consideration having saleable area of 1,526,366 sq.ft.

Rama world project is located at Raipur road, Bilaspur, Chhattisgarh and comprises 9 blocks consisting of 106 bungalows for all categories of users i.e. ranging from 3BHK to 5 BHK along with 458 plots ranging from 1622 sqft to 3555 sqft. The



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project includes external amenities such as Club House with Gym, Swimming Pool, Restaurants with SPA, Shops for daily need, Boom barrier with Security Guard, Clinic area etc.

Also, the Company is developing a Residential Apartment (400 Flats – 3BHK in 7 Towers) in the name of "Sky Life Phase - I", at Raipur Road, Near AS Fun, Bilaspur, Bilaspur (C.G.). It comprises of Mega township with 880 Flats total having 22 Blocks (A1 to A7),(B1 to B6) and (C1 to C9) grouped in 16 Towers (A to P) comprised of three wing (A,B & C) with lots of amenities like Club house, Clinic, Gym, Specialty Restaurant, Coffee Shop, etc. having total land area of 15.80 acres. The company has decided to complete this project in two phases. In Phase I the company will cover 400 flats & Phase II will cover balance 480 flats.

Financials (Standalone Basis) - Zodiac Dealers Private Limited

(Rs. crore)

| For the year ended / As On | 31-03-2019 (Audited) | 31-03-2020 (Provisional) |
|----------------------------|-------------------------|-----------------------------|
| Total Operating Income | 91.11 | 33.35 |
| EBITDA | 12.59 | 9.48 |
| PAT | 6.67 | 1.28 |
| Total Debt | 61.59 | 57.74 |
| Tangible Net worth | 95.65 | 96.89 |
| EBITDA Margin % | 13.82 | 28.43 |
| PAT Margin % | 7.09 | 3.84 |
| Overall Gearing Ratio (x) | 0.64 | 0.60 |

* Classification as per Infomerics Standards.

Financials: HECBL (Guarantor)

(Rs. crore)

| For the year ended* / As On | 31-03-2019 (Audited) | 31-03-2020 (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.



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Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

| Sl. No. | Name of Instrument/ Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|--------------------------------|-------------------------------|--------------------------------|---------------------------|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | 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. | Fund Based - Bank Facilities | Long Term | 70.00 | IVR A-(CE)/Stable Outlook | - | - | - |

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 Bank Facilities – Term Loan | - | - | Oct, 2023 | 70.00 | IVR A- (CE)/Stable Outlook |