

Press Release

Brickwork Ratings assigns “BWR BBB (SO)” for Century Real Estate Holdings Pvt. Ltd’s proposed secured Non Convertible Debenture (NCD) Issue of INR 200 cr (₹ Two Hundred Crore only)

NCD Issue Rating: BWR BBB (SO)

Outlook : Stable

Brickwork Ratings (BWR) has assigned **BWR BBB (SO) [Pronounced BWR Triple B (Structured Obligation)]** for Century Real Estate Holdings Private Limited’s proposed Secured Bond issue of ₹ 200 crore, having a tenor of 48 months. ‘**BWR BBB**’ stands for an instrument that is considered to offer **MODERATE** credit quality in terms of timely servicing of principal and interest obligations.

The rating has factored, inter alia, the characteristics of the Projects in context, the strong credentials of the Board of Directors and the senior management, the long history of the company, the security and the Escrow mechanism for meeting the NCD obligations. The rating is however constrained by project risk, risk of sustainability of property prices and margins, unavailability of consolidated financial statements, Century’s relatively lesser exposure to independent development projects, absence of any significant operating income from the projects in context and the current status of the Real estate industry.

BWR has essentially relied upon the information/ clarification provided by the issuer, Term sheet outlining the structure of the deal, audited financial results of the company as of FY 2010 and its SPVs.

Established in 1973, Century Group (“Century Group”) is a renowned real estate group in Bengaluru. The group has, over the years, evolved itself to become a full service real estate developer. The group initially focused on acquiring and consolidating land parcels on large scale. Since 2004, Century has transitioned into a full service real estate developer by launching projects under their own brand by undertaking developments under Century Real Estate Holdings Private Limited (“CREH”). Currently, Century’s portfolio includes over 1,200 acres of free-hold land spread majorly across Bengaluru and a development portfolio of over 21 mn sft comprising residential, commercial, hotels, educational institutions and integrated townships.

The company plans to raise Rs 200 Cr by way of secured NCD with tenure of 48 months. The proceeds are expected to be used for general corporate purposes and for the development of two projects – Century Square (Independent Development) and Salarpuria Century Towers (Joint Development). The NCD is secured through a first charge on the unsold Saleable Area in the Projects, Receivables and Escrow Account. Also offered as security are the Post Dated Cheques, the Promoter guarantee and the Corporate Guarantee of the developer.

In FY10, the company reported sales of ₹12.31 cr. As on 31st Dec, 2010 the company has recorded sales of about ₹86 cr. The increase is mainly on account of higher sales revenue from its ongoing projects. The company’s revenue source comprise of rentals, revenue share in Joint Venture projects, sale of land and sale of property.

As the projects have a long gestation period of 4-5 years, the sustainability of the current property price levels and margins and the timely completion of these projects remain one of the risk factors for this NCD. Additionally, Century will be exposed to Construction Risk on Century Square project.

Going forward, the Company intends to focus on independent development of properties while continuing with the model of joint development partnerships. The Company will also continue to form strategic alliances with reputed developers and financial partners in order to unlock better real estate value of existing land banks.

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