Rating Rationale

Aadi Properties LLP **4 June 2018**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 30.00 Crores of Aadi Properties LLP.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	30.00	Long Term	BWR BB(-). [Pronounced as BWR Double B Minus] Outlook: Stable
Total	30.00	INR Thirty Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY14-FY17, provisional financial results of FY18, projected financial results of FY19-FY20, publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, locational advantages of the project, having obtained all clearances and approvals, timely implementation of the project till date as per the revised schedule, Moderate Current ratio, moderate networth, part of a strong group having a good history in implementation of projects, projected cash flow indicating repayment of the term loan, regular repayment of the interest portion as per cash flow statement being made and adherence to the escrow mechanism.

The rating is however constrained by, partnership nature of the entity involving the risk of withdrawal of capital, inherent cyclicality of the real estate sector, and susceptibility to the volatility in input cost of raw materials & likely risk/ delays in implementation of the project in terms of time, cost & profitability etc.

Going forward, the ability of the firm to timely complete its ongoing project within the envisaged cost and sale of its units at envisaged price along with timely realization of sale proceeds and managing any mismatch in cash-in-flows, getting/maintaining all statutory approvals in force, maintain coverage ratios and profitability margins, increase networth and ability to service debt would be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Locational advantages:- The project is located in Kanjurmarg (East) with easy accessibility to other business hubs, malls, established schools, renowned hospitals, airport, leisure hubs and luxury hotels.

All approvals obtained:- APL has obtained all the required approvals and clearances.

Promoters vast experience:- The Leo Group is the first ever company to be directly awarded AA class company status on registration as a BMC contractor. They have successfully implemented projects in the past all over Mumbai. The Prashasthi Group has earlier worked with major real estate companies like Skyline, Atul, Arkade, Esta and the Bhoomi Group. Both

Timely implementation of the project:- 70% of the construction has been completed and the construction is been done adhering to the timeline of the revised project schedule.

Modearte current ratio:- The current ratio is around 2.07 times in FY17 against 2.65 times in FY16.

Moderate networth:- The networth is around Rs 33.03cr in FY17 against Rs 32.80cr in FY16.

Projected cash flow indicating regular repayment of the term loan:- The interest and the principal part will be adequately repaid as per the projected cash flow.

Adherence to the escrow mechanism:- An escrow A/C has been opened and all the transactions take place through it.

- **Credit Risks:**

Partnership nature of the entity:- APL is a LLP. Thus, it faces the risks applicable to a partnership firm involving the risk of withdrawal of capital by partners.

Inherent cyclicality of the real estate sector:- The real estate sector is cyclical in nature wherein residential sector faces boom followed by drop in commercial sector sales, and vica versa.

Susceptible to volatility in input cost of raw materials:- It is susceptible to the volatility in the input cost of raw materials such as steel, cement etc, thus impacting their profitability further.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Aadi Properties LLP** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated in the year 2008, Aadi Properties LLP(APL) is a special purpose vehicle formed between the Leo Group and the Prashasthi Group to execute a residential cum commercial project named 'Allure' in Kanjurmarg, Mumbai. Leo Group has had its blueprints all across Mumbai and is the first ever company to be directly awarded AA class company on registration as a BMC contractor. Prashasthi Group has worked with leading real estate companies in the past and is currently managing the financial and legal aspects of the project. Some of the amenities are gymnasium, car parking, intercom, playarea, club house etc. There are 7 wings, of which 6 are residential. Around 70% of the construction has been made and the expected COD is December 2019.There are total 419 units, out of which 145 units have been sold.Around 85% of the sales consideration has been received.

Company Financial Performance

As per audited financials of FY17, revenue and PAT of Jaikumar Constructions LLP stood at Rs 0.04cr and Rs 0.17 cr, compared to NIL and Rs 0.03cr respectively in FY16. Net Worth increased from Rs 32.80cr in FY16 to Rs 33.03cr in FY17 due to plough back of profits.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	LONG TERM	30.00	**BWR BB(-) (Stable)**	-	-	-
	Total		**30.00**	**₹ Thirty Crores Only**			

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

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	0.04	NIL
EBITDA	₹ Cr	4.93	5.11
PAT	₹ Cr	0.17	0.03
Tangible Net worth	₹ Cr	33.03	32.80
Total Debt/Tangible Net worth	Times	1.99	1.21
Current Ratio	Times	2.07	2.65

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Infrastructure Sector]

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.