

## Rating Rationale

**Brickwork Ratings assigns “BWR A-(SO)” rating for Bank Loan facility of ₹ 382.50 Crores of Adani Township & Real Estate Co Pvt. Ltd.**

Brickwork Ratings has assigned the following **Ratings<sup>1</sup>** for the Bank Loan facility aggregating to ₹ 382.50 Crores of **Adani Township & Real Estate Co Pvt. Ltd** (‘ATRECOPL’ or ‘the Company’)

Proposed Facility	Amount (₹ Crs)	Tenure	Rating <sup>1</sup>
<b>Fund Based: Drop-line Over Draft Facility</b>	<b>382.50</b>	<b>Long Term</b>	<b>BWR A-(SO) (Pronounced BWR A Minus [Structured Obligation]  (Outlook-Stable)</b>
<b>Total</b>	<b>382.50</b>	<b>INR Three Hundred Eighty Two Crores and Fifty Lakhs only</b>	

BWR has essentially relied upon the audited financial results upto FY16, estimates and projections, terms of sanction and information and clarifications provided by the company.

The rating factors, *inter alia*, experienced promoters, Adani group’s support and professional management team, good location of the township, advanced stages of construction for the four concerned projects being developed under “Shantigram Township”, Ahmedabad, and healthy booking status of the launched units. The ‘SO’ suffix indicates that the rating also draws comfort from unconditional and irrevocable corporate guarantee of Adani Properties Pvt. Ltd (APPL) (Ultimate Holding Company of ATRECOPL) and Shantigram Estate Management Pvt. Ltd. (Land Holding Co.), and the Debt Service Reserve Account and escrow structure. However, the rating is constrained by limited track record of the group in developing large real estate project, risk of timely completion as per estimated cost and timeline, high reliance on customer advances for funding the remaining portions, ability to market unsold units, and inherent risks pertaining to real estate industry.

### Background:

Adani Township & Real Estate Company Pvt. Ltd (ATRECOPL) was incorporated in Aug 2012. ATRECOPL is a SPV involved in real estate project development. ATRECOPL is developing four Apartment projects in around 100 acres of land in Shantigram, Near Ahmedabad, Gujarat. The overall Integrated Township is around ~ 616 Acres. Adani Infrastructure and Developer Pvt. Ltd (AIDPL) is the main holding cum Operating Company of Real Estate Vertical of Adani Group which is ultimately held by Adani Properties Pvt. Ltd. AIDPL is currently undertaking various Real estate Development projects either directly or through its SPVs.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Adani Group's real estate interests include an Integrated Township and an affordable housing project at Ahmedabad, and a couple of residential & commercial projects in Mumbai and Gurgaon.

### **Management & Shareholding:**

ATRECOPL's equity is held by group companies Adani Land Developers Pvt. Ltd and Suyojan Realty having 74% and 25 % shareholding respectively. The Board of ATRECOPL has two directors, viz., Mr. Pankaj Modi and Mr. Tarwinder Singh. Both the directors are nominees of Adani group and have over three decades of engineering and project construction experience.

### **Projects:**

ATRECOPL is developing four Apartment projects in around 100 acres of land in Shantigram, Near Ahmedabad, Gujarat. The overall Integrated Township is around ~ 616 Acres. In Phase 1, the company has four projects viz., Water Lily (3.5 To 4 BHK Flats and Penthouse), Meadows (2, 2 BHK + Study and 3 BHK), Aangan (1 and 2 BHK Comfort apartments) and Elysium (2 & 2.5 BHK Apartments). Meadows, Waterlily and Aangan are expected to complete by Dec 2016 and Elysium by June 2017.

The bank facility has a tenor of 60 months with quarterly reducing limits. The company has been using the same for repaying existing debt, and construction and development of the four projects mentioned above. The facility is guaranteed by Adani Properties Pvt. Ltd., which is an important company of the promoter group. APPL is the ultimate holding company of ATRECOPL as well as other real estate companies of Adani Group. APPL also has significant non-current investments in the form of equity holding of other Adani group flagship companies. As per FY16 provisional financials, APPL, the Guarantor, reported net profit of ₹ 17.32 Crore on revenue of ₹ 206.09 Crs, as compared to FY15 net profit of ₹ 11.79 Crs on revenue of ₹ 107.42 Crs. It had a large networth of ₹ 3317.12 Crs, which was deployed in investment in listed equity shares of Group companies. In view of guarantees provided, APPL also has large contingent liabilities in its books.

### **Financial Performance:**

Net sales of ATRECOPL was ₹ 249.16 Crs and PAT was ₹ 7.51 Crs in FY16. Revenue is recognized by percentage completion method. The total cost of these four projects(phase 1) is around ₹ 2014 Crs being funded out of promoters' contribution of ₹ 124 Crs, Loan facility from bank of ₹ 450 Crs and balance by booking amount & advances from customers. The company has incurred around ₹ 1832 Crs till date. As on March 31<sup>st</sup> 2016, the company also has short term borrowings from related parties of around ₹ 845 Crs. Inventory (work in progress) as on March 31<sup>st</sup> 2016 stood at around ₹ 1436 Crs. Till Sep 2016, 71% of the saleable area is booked, and customer advance to the extent of ₹ 1422 Crs received.

### **Rating Outlook:**

Execution of projects within estimated cost and timelines alongwith offering timely possessions to customers will be crucial for all real estate projects. Going forward, ability of the company to

market the remaining units, efficient collection from customers based on progress in construction, and continuing support from promoter groups will be the key rating sensitivities.

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