



## Rating Rationale

Adani Township and Real Estate Co. Pvt. Ltd

20 Aug 2019

Brickwork Ratings reviews the ratings for the Bank Facilities of ₹ 370 Crore of Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO or “The Company”)

### Particulars

| Facility                       | Amount Rated (Rs. Cr) |         | Tenor   | Rating History with BWR*   | Rating Assigned   |
|--------------------------------|-----------------------|---------|---|--|---|
|                                | Previous              | Present |   |  |   |
|                                |                       |         |   | June 2018  |   |
| Drop Line Overdraft (Yes Bank) | 450                   | 270     | Long Term                                     | BWR A- (SO) (Stable) (Pronounced as BWR A Minus (Structured Obligation)) | <b>BWR A- (SO) (Stable) (Pronounced as BWR A Minus (Structured Obligation)) (Reaffirmation)</b> |
| Term Loan                      | -                     | 100     | Long Term                                     | -  | <b>BWR A- (SO) (Stable) (Pronounced as BWR A Minus (Structured Obligation)) (Assignment)</b>    |
| Total                          | 450                   | 370     | (Rupees Three Hundred and Seventy Crore Only) |  |   |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**SO refers to Structured Obligation which indicates credit enhancement derived from escrow mechanism and 3 months Interest Service Coverage Provision**

**Rating: Reaffirmed for OD & assigned for TL**

#### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the Company's Audited financial results up to FY 19, cash flow projections, publicly available information and information/clarifications provided by the Company's management.

The rating factors, *inter alia*, strong parentage, experienced promoters and professional management team, good location of the township, very advanced stage of construction coupled with healthy booking status. However, the rating is constrained by limited track record of the group in developing large real estate projects, salability of unsold units in the current macro-economic environment, inherent risk pertaining to real estate segment after implementation of GST and RERA and increasing overall debt levels of Adani Group.



**Analytical Approach:** Though Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO) is analyzed on standalone basis, comforts have been derived from escrow mechanism and 3 months Interest Service Coverage Provision (ISRA) apart from the Corporate Guarantee of Adani Properties Pvt. Ltd. (BWR A- (Stable)) and Shantigram Estate Management Pvt. Ltd. for the new drop-line overdraft facility.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

**Strong Parentage:** Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO), incorporated in 2012, is an Adani Group Company which is engaged in development of real estate project in Ahmedabad. It is held by Suyojan Realty Pvt. Ltd (25.5%) and Adani Land Developers Pvt. Ltd (74%). Suyojan Realty is 99% held by Adani Infrastructure and Developers Pvt. Ltd. Thus the company will benefit out of Group's infrastructure, support and financial flexibility.

**Advanced Stage of Project:** ATRECO is developing 4 residential apartment projects and 1 commercial building in around 100 acres of land in Shantigram, near Ahmedabad, Gujarat. The overall integrated township is around ~616 Acres. Out of the total initial project cost of Rs.2029 Cr for phase I, Rs. 1976 Cr had been incurred till June 30, 2019. Occupancy certificates have also been received for most of the towers.

**Considerable Sales Achieved:** Out of the total saleable units of 3943 in Phase I, 3623 (92%) units have already been sold for a value of around Rs.2076 Cr, out of which Rs.1942 Cr has been collected. The balance units to be sold are premium ones with higher per unit value and the Company is expecting to complete its sales within next two years and collect an estimated value of around Rs. 350 Cr.

#### **Credit Risks:**

**Limited Track record of the group in real estate segment:** Though Adani group has constructed around 70 lakhs square feet of area till date, the group does not have a long track record and experience in the segment. It is not a key focus area, and its contribution to group's overall business is quite small.

**Inherent risk pertaining to real estate segment:** Implementation of GST and RERA in FY 18 had a negative impact on the real estate market across the country, as also in Ahmedabad. In some cases prices have dropped, or sales are slow. Ability of the Company to market the unsold units which are in the premium segment, will be the key rating sensitivity.

**Increasing overall debt levels of the Adani Group:** Overall debt level of the Adani Group has been increasing on account of new initiatives as well inorganic growth undertaken across businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation



period of most of these businesses. However, at an overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising additional funds through pledge of their equity shares in the listed companies. Servicing of some of this debt largely depends on refinancing options.

**Rating Outlook: *Stable***

BWR believes the ATRECO’s 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 'Negative' if the company is not able to achieve the targeted sales in the projected timeframe which could impact its operating performance.

**About the Company**

Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO), incorporated in 2012, is an Adani Group Company. ATRECO has been setup for developing Shantigram Township Project in Ahmedabad which includes residential, commercial, education, medical, entertainment, recreation and many more amenities. ATRECO is developing 4 Apartment Projects in around 100 acres of land in Shantigram, near Ahmedabad, Gujarat (Northwest part of SG Highway and ~25 KMs from Ahmedabad Airport). The overall integrated township is around ~616 Acres. Total initial project cost of phase I of the project of Rs.2029 Cr has been funded with debt of Rs.550 Cr, promoter contribution in the form of land cost of Rs.251 Cr and the balance from customer advances.

Brief financial details of the Company are provided below. Except for the bank drop-line overdraft of Rs.330 Cr (outstanding as on March 31, 2019 of the bank overdraft facility of Rs.450 Cr) and term loans of Rs.100 Cr, total debt are inter corporate deposits from related parties.

| Rs. Cr            | FY18<br>Audited | FY19<br>Audited |
|-------------------|-----------------|-----------------|
| Revenue           | 205.6           | 282.05          |
| EBITDA            | 0.17            | -35.41          |
| PAT               | -0.26           | 5.18            |
| Total Debt        | 911.4           | 1387            |
| Tangible Networth | 24.3            | 29.6            |
| Current Ratio     | 1.00            | 1.06            |

**Rating History for the last three years**

| S.No | Instrument /Facility       | Current Rating (2019)        |                |   | Rating History             |                            |                   |
|------|----------------------------|------------------------------|----------------|---|----------------------------|----------------------------|-------------------|
|      |                            | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating  | June 2018                  | November 2016              | Date, Month, Year |
| 1.   | <b>Drop-Line Overdraft</b> | Long Term                    | 270            | <b>BWR A-(SO) (Stable)</b>                    | <b>BWR A-(SO) (Stable)</b> | <b>BWR A-(SO) (Stable)</b> | -                 |
| 2.   | <b>Term Loan</b>           | Long Term                    | 100            | <b>BWR A-(SO) (Stable)</b>                    |                            |                            |                   |
|      | <b>Total</b>               |                              | <b>370</b>     | <b>₹ Three Hundred and Seventy Crore Only</b> |                            |                            |                   |

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

Any other information

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Infrastructure Sector](#)
- [Approach to Financial Ratios](#)
- [Structured Obligations](#)

For any other criteria obtain hyperlinks from website



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**About Brickwork Ratings**

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