



Rating Rationale

Adani Township and Real Estate Co. Pvt. Ltd

20 Jun 2018

Brickwork Ratings withdraws and assigns the ratings for the Bank Facilities of ₹ 382.50 Crore and Rs.450 Crore, respectively 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			
				Nov-16	
Drop Line Overdraft (State Bank of India)	382.5	-	Long Term	BWR A- (SO) (Stable)	Withdrawn
Drop Line Overdraft (Yes Bank)	-	450	Long Term	-	BWR A- (SO) (Stable) (Pronounced as BWR A Minus (Structured Obligation))

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Withdrawal of the rating is due to closure of the credit facility, and relevant communication from the Bank held on record.

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the Company's Audited financial results up to FY 17, provisional financials for FY18, 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.2830 Cr which includes total land cost in addition to the project cost for Phase I, Rs. 2680 Cr had been incurred till March 31, 2018. Now only the finishing cost is required to be incurred. 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, 3386 (86%) units have already been sold for a value of around Rs.1900 Cr, out of which Rs.1800 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. 550 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 into the premium segment, will be the key rating sensitivity.



Increasing overall debt levels of the Adani Group: Overall debt level of Adani Group is continuously increasing on account of new initiatives, inorganic growth, etc. Some of the debt servicing 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 Rs.2830 Cr has been funded with debt of Rs.450 Cr, promoter contribution in the form of land cost of Rs.839 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.450 Cr, total debt are inter corporate deposits from related parties.

Rs. Cr	FY18 Provisional	FY17 Audited
Revenue	232	249.16
EBITDA	34	6.41
PAT	7.51	-7.00
Total Debt	897	1215
Total Debt to Tangible Networkth	40.7	49.57
Current Ratio	0.99	1.00

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	November 2016	2015	2014
1.	Drop-Line Overdraft	Long Term	450	BWR A-(SO) (Stable)	BWR A-(SO) (Stable)	-	-
	Total		450	₹ Four Hundred and Fifty Crore Only			

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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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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