

Rating Rationale

Brickwork Ratings Revises the long term rating to 'BWR BBB- (SO)' for the long term Bank Loan Facilities of ₹ 48.14 Cr to Aditya Constructions for loan as under for 'Westgate' commercial project

Brickwork Ratings has revised the **Rating¹** to 'BWR BBB- (SO)' for the long term bank loan facilities of ₹ 48.14 Cr to 'Aditya Constructions' for 'Westgate' commercial project located near YMCA Club, S.G. Highway, Ahmedabad. The project Westgate is to develop 3 blocks having 7 corporate houses and 209 commercial offices.

| Facility | Tenure | Previous Limits (Rs. Crs) (Mar, 2015) | Present Limits (Rs. Crs) (Jan, 2016) | Previous Rating (Mar, 2015) | Present Rating (Jan, 2016) |
|------------------------|-----------|--|--|---|---|
| Fund Based (FB) | | | | | |
| Term Loan I | Long Term | 37.50 | 25.69 | BWR BB+ (Pronounced BWR Double B Plus) (Outlook: Stable) | BWR BBB- (SO) (Pronounced BWR Triple B Minus) (Structured Obligation) (Outlook: Stable) |
| Term Loan II | | 22.50 | 22.45 | | |
| Total | | 60.00 | 48.14 | | |

BWR has essentially relied upon the audited financials of FY13, FY14 and FY15, projected FY16 of Aditya Constructions, publicly available information and information/clarification provided by the management.

The rating derives strength from experience of the partners in real estate industry, sales booking status of the project to the extent of 70%, structure in the form of escrow mechanism, healthy operating profitability. This is Gujarat's first 23 story commercial project, located at prime commercial location at Ahmedabad resulting in good marketability.

The rating is constrained by the firm's exposure to the intense competition in the real estate business in Gujarat and inherent cyclical nature of the real estate industry.

Structured obligation rating reflects that the term loan is raised only for the specific project (Wetgate), wherein the terms of the loan are subject to the said project with cash flows is to be routed through escrow account.

Background:

M/s Aditya Construction was formed in April 2011 construct residential and commercial projects in Ahmedabad. The current partners of the firm are Mr. Nileshkumar Patel, Mr. Manish Shah, Mr. Sameer Maheshwari and True Value Nirman Pvt Ltd.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The firm has started the business with execution of commercial project “Westgate” in Ahmedabad. The partners of the firm, Mr. Nileshkumar Patel, Mr. Manish Shah, Mr. Sameer Maheshwari have a very vast experience in the field of Construction and Developers. Previously they were working in their individual capacity with other partnership firms.

Project Details:

'Westgate' is a Gujarat's first 23 story commercial project. The project is located in the prime commercial location near YMCA Club, S.G. Highway, Ahmedabad. The project Westgate is to construct and develop 3 blocks having 7 corporate houses and 209 Commercial offices. Out of total saleable area of 3,75,000 sq.ft , 70% of the inventory is sold. The project will be fully sold in FY 2016-17. Firm has received Building Use Certificate and all other approvals.

Financial Performance:

The project was completed last year. As per audited financials, the tangible networth of the firm stood at Rs.19.60 Crs in FY15 against Rs.17.17 Crs in FY14. The firm recorded Total operating income of Rs.15.97 Crs in FY15 against Rs. 4.73 Crs in FY14. The net profit of the firm stood at Rs. 2.42 Crs in FY 15 against Rs. 0.27 Crs in FY14. The gearing level of the firm is recorded at 1.94 times in FY15. The operating profit margins stood at 44.92 percent in FY 15 .

Rating Outlook:

Going forward, efficient marketing of the saleable units and effective management of the cash flows and compliance to the proposed escrow, the Real estate scenario in the industry will be the key rating sensitivities.

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