

## Rating Rationale

### Brickwork Ratings reaffirms the long term rating of 'BWR BB+' for enhanced long term Bank Loan Facilities of ₹ 60.00 Cr of M/s Aditya Constructions.

Brickwork Ratings (BWR) has reaffirmed **Ratings**<sup>1</sup> of 'BWR BB+' for the enhanced long term bank loan facilities of ₹ 60.00 Cr of M/s Aditya Constructions (AC or the Firm)<sup>1</sup>.

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Rating History	Reaffirmed/Assigned Rating
<b>Fund Based (FB)</b>					
Term Loan	37.50	60.00	Long Term	<b>BWR BB+</b> (Pronounced BWR Double B plus)  <b>(Outlook -Stable)</b>	<b>BWR BB+</b> (Pronounced BWR Double B plus)  <b>(Outlook -Stable)</b>
<b>Total Limits</b>		<b>60.00</b>	<b>(INR Sixty Crores only)</b>		

BWR has principally relied upon the audited financial results up to FY 14, projections upto FY16, publicly available information and information/clarification provided by the Company's management.

The rating continues to take comfort from experienced partners, strategic location of the project displaying healthy sales velocity for the project, satisfactory cash flow position, modest booking status of the project, healthy operating profitability expected to be generated with completion of the Project. The rating is however constrained by cash flow susceptible to slow sales of the project due to headwinds being faced by the real estate industry. The rating is further constrained by withdrawal of capital by erstwhile partners.

### Background

Aditya Construction was formed in April 2011 construct residential and commercial projects in Ahmedabad. The current partners of the firm are Mr. Nilesh Kumar Patel, Mr. Manish Shah, Mr. Sameer Maheshwari and True Value Nirman Pvt. Ltd. The Firm has started the business with execution of Commercial project "Westgate" in Ahmedabad. The partners of the firm, Mr. Nileshkumar S Patel, Mr. Manish D Shah and Mr. Sameer B 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.

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

## Financial Performance

Aditya Construction follows the Project Completion Method (PCM) for revenue recognition. Here revenue recognition commences after risk and reward is transferred to the buyer. As Westgate is expected to be complete by July 2016, revenues are expected to be spread between 2016 and 2018. The Company has projected operating margin of 54% in FY 16 post completion of the project commanding better pricing on account of being located in the prime commercial location at Ahmedabad.

Gearing of the Firm increased from 0.15 time in FY13 to 1.52 times in FY14, on account of increase in debt and reduction in equity.

## Rating Outlook

The key rating sensitivities will be the ability of the firm to execute the project on time and maintaining the sales momentum with cash accruals, sustaining its moderate capital structure and securing adequate working capital finances to support its construction cost.

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