



Rating Rationale

Akshar Infrabuild

9 July 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 25.00 Crores of Akshar Infrabuild.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	25.00	Long Term	BWR B+ Pronounced as BWR Single B Plus Outlook:Stable.
Total	25.00	INR Twenty Five Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results upto FY17, provisional financials of FY18, projected financials upto FY20 as well as publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of the promoters in the line of business, strategic location of the project, comfortable gearing and firm's ability to adhere to stipulated timeline . However, the rating is constrained by nascent stage of operations, risk exposed to project implementation without cost overrun and risks associated with real estate industry. Further, being a partnership firm, any significant withdrawal from the capital/current account by the partner would adversely impact the capital structure, hence this remains a rating sensitivity.

Going forward, the ability of the company to achieve the projections and execute the project without any time and cost overrun will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

1. **Experience of Promoter:** Mr. Kalpesh Patel is the managing partner of the firm and has an extensive experience of 27 years in the real estate business.
2. **Strategic Location:** The project is located behind Patel Avenue, S.G Highway, Thaltej which is one of the most developing areas of Ahmedabad.



3. **Comfortable gearing of the firm:** Gearing of the firm is comfortable reflected by Total debt/equity at 0.22 times in FY17 and 1.08 times in FY18. This is coupled with moderate networth of Rs. 9.26 Crs in FY17 and Rs.29.54 Crs as on 31st March 2018 (Provisional)
4. **Adherence to stipulated timeline:** The project is in line with its stipulated time frame of various stages of construction.
5. Further, there is an adequate cash surplus indicated by the cash flow statement submitted by the client which in turn indicates regular payment of debt.

- **Credit Risks:**

1. **Nascent stage of operations:** The project is a green field project and is at an initial stage of construction. The bookings have not been started. Hence, revenue recognition as per the projections remains a risk factor.
2. **Risk exposed to project implementation given nascent stage of operations:** AI faces inherent risk attached to a greenfield project and ability of the company to implement its project without any cost overrun.
3. **Risks associated with Real Estate industry:** Firm is exposed to inherent risks associated with the industry like cyclical nature of industry, competition from other players in the vicinity and geographical concentration risk as most of the projects being executed are in and around Ahmedabad, Gujarat Compliance with RERA (Real Estate Regulation Act) guidelines will address some of these risks effectively.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook:Stable

BWR believes the **Akshar Infrabuild** 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 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

M/s Akshar Infrabuild (AI) was established on 25.02.2015 to develop residential projects. The firm has completed one project named Akshar Pratham and is currently executing a residential project named Akshar Iland with built up area of approx 22,055 Sq. ft. situated B/h Patel Avenue, S.G Highway, Thaltej, ahmedabad.

“Akshar Iland” is a project by M/s Akshar Infrabuild promoted by Mr.Kalpesh Patel who has developed commercial and residential projects under various SPVs in the vicinity of Motera, Chandoliya, ahmedabad and Asarva.

Company Financial Performance

The firm proposes to complete the execution of the project Akshar Iland by FY20 with an operating income of Rs. 29.34 Crs in FY20 with a PAT of Rs.2.40 Crs. The firm has introduced funds from the sale proceeds of the previous project ‘Akshar Pratham’ which is reflected as an operating income of Rs.19.93 Crs in FY18 provisional. AI has moderate networth of Rs.9.26 Crs as on 31st March 2017 which further improved to Rs.29.54 Crs as per FY18 provisional.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based	Long Term	25.00	BWR B+ (Outlook:Stable)	NA	NA	NA
	Total		25.00	₹ Twenty five Crores Only			

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

Any other information: NA

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	0.01	0.00
EBITDA	₹ Cr	0.09	0.22
PAT	₹ Cr	0.00	0.00
Tangible Net worth	₹ Cr	8.27	9.26
Total Debt/Tangible Net worth	Times	0.00	0.22
Current Ratio	Times	2.75	1.94



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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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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