



Rating Rationale

Amar Prakaash Developers Private Limited

22 Jan 2019

Brickwork Ratings revises rating to BWR BB+ for the Bank Loan facilities aggregating Rs. 472.00 Crs of Amar Prakaash Developers Private Limited ('APDPL' or the Company)

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present		Previous*	Present
Fund Based					
Dropline OD	23.75	20.00	Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable Downgraded
Term Loans	286.64	422.00			
Term Loan (Proposed)	150.00	30.00			
Total	460.39	472.00	Rupees Four Hundred and Seventy Two Crores only		

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings

Annexure I shows the bank wise facilities,*migrated to Rating Not Reviewed category on 12 Nov 2018

Note : In addition to the above facilities, the Company has availed Term loan of Rs. 90.00 Crs from JM Financial Credit Solutions Limited, which is not rated by BWR, at the request of the company.

Rating Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Company upto FY18, projections upto FY20, publicly available information and information/clarifications provided by the management.

The rating revision follows the decline in the overall bookings achieved by the company, as compared to BWR's expectations, following the overall slowdown witnessed in the residential real estate segment and



the consequent reduction in the advances received from the customers. The rating is constrained by the weaker-than-expected operating performance arising from muted sales and resultant impact on the business risk and credit profile of the Company, significant unsold inventory, geographical concentration of projects, exposure to inherent risks of real estate sector including project execution risks, cyclicality and the challenging environment for the sector. The rating, however, continues to draw strength from the experience of the promoters in real estate industry, established track record of the Company, favourable location of the projects and the advanced stage of completion of most of the projects.

Going forward, the Company's ability to market the units and improve sales velocity, complete and deliver the projects as proposed, ensure pick-up in collections and strengthen its credit profile would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes APDPL'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 'Positive' in case there is higher-than-expected pick-up in sales and collections, thus, improving the operational cash flows of the company. The rating may be further downgraded in case there is further moderation in the sales velocity, increasing the pressure on cash flows.

Key rating drivers

Credit Strengths

- **Experienced management and established track record-** The promoters have more than a decade of business experience in the real estate industry. The Company is one of the established real estate developers in the affordable housing segment in Chennai. The Company has delivered more than 4 million sq. ft. of residential projects and 5 million sq ft of residential and commercial projects under construction.
- **Project Profile/ Locational Advantages** - Target clients are low and mid income salaried individuals, especially first time home buyers. Ongoing projects of the Company are in Chromepet which is in proximity to the Chennai International Airport, IT and financial hubs. The projects have extra amenities such as Jain Public School, public park, open theatre, club houses, small parks etc.

Credit Weaknesses

- **Decline in Scale of Operations:** The sluggish demand in the real estate sector and the impact of demonetization and GST has posed a challenge to the company in maintaining its sales velocity in its ongoing residential projects where the activity has remained tepid. The company achieved sales of Rs. 103.77 Crs only in FY18 as against Rs. 198.50 Crs in FY17. In addition, the collections have also been considerably lower-than-expected. Collections reduced to Rs.25.51 crore in H1FY19,



compared to Rs. 93.48 crore in FY18. On a provisional basis, the Company has achieved revenue of ~Rs. 62.00 crs only for 8MFY19. The Company was able to sell only 122 units in FY18 as against 503 units in FY17. Further, it could sell only 19 units during H1FY19. Due to weakened demand for under-construction properties, sales/bookings were further impacted and hence, the company changed its marketing strategy to 'build and sell' from this fiscal.

- **Large unsold inventory:** As on 30th June, 2018, the Company's inventory of flats was 2215 nos. (1224 ready to occupy flats and 1223 WIP). Value of inventory increased from Rs. 469.25 Crs in FY17 to Rs. 523.96 Crs in FY18. The Company expects to intensify its marketing activities during Q4FY19 and its ability to liquidate the inventory would be a key monitorable. Further, the company is also exposed to project execution risk. Notwithstanding the debt tie-up for the projects, timely completion of the projects will remain a key monitorable
- **Susceptibility to cyclical demand inherent in the real estate sector**
The real estate sector in India is cyclical and volatile, resulting in fluctuations in cash flow because of changes in realisations. In contrast, cash flow, related to project completion and servicing debt, is relatively fixed, and could lead to substantial mismatches. The residential real estate sector has remained under pressure due to weak demand and bearish consumer sentiment over the past few years, resulting in refinancing needs. Demonetisation and RERA have also impacted demand as buyers adopt a 'wait and watch' attitude, increasing the funding challenges for developers. In the short term, demand is likely to remain muted and prices will remain under pressure on account of slowdown in volumes due to ongoing liquidity concerns of NBFCs.
- **Liquidity :** Liquidity position is under strain with high inventory days of >3300 as on 31 March 2018, owing to the unsold units. Debt metrics are weak as reflected by DSCR & ISCR of 0.82 times and 0.42 times as on 31 Mar 2018. The Company has access to undrawn credit lines of around Rs.64 crs for the under construction projects, including Phase III of Temple Waves project. The company has refinanced its term loans during FY18, resulting in elongation of debt repayment schedules. Debt repayments are in the range of Rs 83-203 crs for FY20-21, which are expected to be serviced from sales proceeds. The company's debt levels are high. In case the sales velocity remains muted and collections do not materialize as anticipated, the company is exposed to refinancing risks in view of the debt repayment obligations (Rs 83 Crs in FY20, Rs 203 Crs in FY21 and Rs 213 Crs in FY22).

Analytical approach

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale) The Company does not have any subsidiaries.



About the Company

‘Amarprakash Group’ was started by Mr. Amarchand Surana in 1950 and was initially engaged in manufacturing of electrical products and extending loans to small and medium sized enterprises. The group is no longer engaged in these activities and forayed into real estate development from 2004. Amar Prakaash Developers Private Limited was incorporated in Feb 2008 at Chennai. The Company is engaged in real estate development, mainly residential sector. It is also engaged in home decor, rental, resale and property maintenance services. The Company had forayed into multi storied residential projects from 2011 onwards. The Company’s projects mainly fall under budget and affordable segment. Projects are mainly executed under JV arrangements by its associate concern ‘M/s EAP Infrastructures Pvt. Ltd.’. APDPL has delivered more than 4 million sq. ft. of residential projects and has 5 million sq ft of residential and commercial projects under construction.

The Company is currently executing three key projects, namely “Temple Waves” having 3 towers, “Palm Rivera” and “The Royal Castle”, having 14 towers each. Construction is completed to the extent of about 95%, except for Phase III of ‘Temple Waves’ project, where completion is around about 10%. These projects are located in Chromepet, Chennai.

Mr. Aadarsh Kumar Surana and Mr. Aashish Surana are the promoter directors of the Company having more than a decade of experience in real estate industry.

Financial Performance

The Company reported revenue from operations of Rs. 103.77 Crs in FY18 against Rs. 198.50 Crs in FY17. PAT for FY18 stood at Rs. 1.35 Crs against Rs. 0.82 Crs in FY17. Tangible Net-worth as on 31st March 2018 was Rs. 165.04 Crs as against Rs. 163.63 Crs in FY17. Total debt stood at Rs. 408.70 Crs as on March 31, 2018. D/E ratio was high at 2.48 times as on March 31 2018 as against 1.96 times in FY17. On a provisional basis the Company has achieved revenue of ~Rs. 62.00 crs for 8MFY19.

Key financial indicators are summarized in Annexure II.

Status of non-cooperation with previous CRA: India Ratings has continued its rating of the bank loan facilities of the company in the “Issuer Not Cooperating*” category, vide its press release dated 16th May 2018, as the company did not cooperate in the surveillance exercise.

*Issuer did not cooperate; Based on best available information

Any other information: Not applicable



Rating History for the last three years:

Sl. No.	Facility	Current Rating (Jan 2019)			Rating History*		
		Type	Amount (Rs Crs)	Rating	12 Nov 2018	11 Aug 2017^	2016
1	Dropline OD	Long term	20.00	BWR BB+ Outlook: Stable (Pronounced BWR Double B Plus) (Downgraded)	Rating Not Reviewed	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable (Assigned)	-
2	Term Loans		422.00				
3	Term Loan (Proposed)		30.00				
	Total		472.00	(Rupees Four Hundred Seventy Two Crores only)			

^rated amount Rs. 460.39 Crs

Hyperlink/Reference to applicable Criteria:

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

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Amar Prakaash Developers Private Limited
Annexure I – Details of rated Facilities

Facility* (in Rs. Crs)	Banks/ Financial Institution				Total
	LIC Housing Finance Limited^	State Bank of India	ECL Finance Ltd	Bank/ Banks	
Dropline OD	-	20.00	-	-	20.00
Term Loan	332.00	-	90.00	-	422.00
Proposed Term Loan				30.00	30.00
Total	332.00	20.00	90.00	30.00	472.00

Note:

- ^Loan of Rs. 191 crs was taken over by LIC Housing Finance limited from PNB Housing fin Ltd during Fy18. Additionally, LICHFL has sanctioned additional loan of Rs. 149 crs towards the construction of the residential projects “The Royal Castle” Phase II and “Palm Riviera”.
- *Total undrawn loan amount is Rs. 64.00 crs
- In addition to the above facilities, the Company has availed Term loan of Rs. 90.00 Crs from JM Financial Credit Solutions Limited, which is not rated by BWR, at the request of the company.

Amar Prakaash Developers Private Limited
Annexure II
Key Financial Indicators

Particulars	Unit	31 March 2017 Audited	31 March 2018 Audited
Total Operating Income	Rs. Crs	198.50	103.77
EBITDA	Rs. Crs	39.59	39.32
PAT	Rs. Crs	0.82	1.35
Tangible Network	Rs. Crs	163.63	165.04
Total Debt/ TNW	Times	1.96	2.48
Current Ratio	Times	2.94	4.69



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.

DISCLAIMER

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