



## Rating Rationale

Amar Prakaash Developers Private Limited

11<sup>th</sup> Aug 2017

**Brickwork Ratings assigns “BWR BBB- (Stable)” for the Bank Loan facilities aggregating Rs. 460.39 Crs of Amar Prakaash Developers Private Limited (‘APDPL’ or the Company)**

### Particulars

Facility Rated	Amount (Rs. Crs) #	Tenure	Rating <sup>1</sup>
<b><u>Fund Based</u></b>			
<b>Dropline OD*</b>	<b>23.75</b>	<b>Long Term</b>	<b>BWR BBB-</b> (Pronounced BWR Triple B Minus) <b>Outlook: Stable</b> <b>Assigned</b>
<b>Term Loan*</b>	<b>286.64</b>		
<b>Term Loan (Proposed)</b>	<b>150.00</b>		
<b>Total</b>	<b>460.39</b> (INR Four Hundred Sixty Crores and Thirty Nine Lakhs only)		

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

\* Outstanding as on 30/06/2017.

# Annexure I shows the bank wise facilities

**Note :** In addition to the above limits, the Company enjoys a BG facility of Rs. 5.00 Crs from IOB, not rated by BWR

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Company upto FY16, provisional financials for FY17, projections upto FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experience of the promoters in real estate industry, established track record of the Company, favourable location of the projects and moderate credit profile marked by consistent revenue, reasonable operating margins and improvement in the networth. The rating is, however, constrained by the significant inventory position, high dependency on customer advances and bank borrowings, geographical concentration of projects, and inherent risks of real estate sector including project execution risks, cyclicity and the challenging environment for the sector.



Going forward, the Company's ability to achieve timely completion and delivery of the projects, ensure saleability of the inventory and maintain 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 the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

### **Key rating drivers & Detailed Description**

#### **Credit Strengths**

- **Experienced Management** - The promoter directors have more than a decade of business experience in real estate industry.
- **Established Track Record** - The Company is one of the established real estate developers (in affordable housing segment) in Chennai. The Company has delivered more than 4 million sq. ft. of residential projects serving over 3600 customers till date.
- **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.
- **Consistency in the performance:** Despite the impact of flood in Nov-Dec 2015 and 'Vardaaah Cyclone' in Dec, 2016, revenue remained consistent during the period FY15 to 17. The Company has been able to sell an average of 514 flats during the said period. In Q1FY18, the Company has sold 123 flats.
- **Reasonable Operating margins and net-worth position:** Operating margin of the Company stood at a reasonable level of ~ 21% in FY17 against ~18% in FY16. Tangible Net-worth of the Company improved from Rs. 53.00 Crs in FY16 to Rs. 165.80 Crs in FY17. However, the increase in the net-worth is mainly by way of acquisition of a proprietorship concern owned by the Managing Director of the Company, which had its own land bank.



### Credit Weaknesses

- **Moderate Scale of Operations:** The scale of operations remain moderate with Rs. 199.95 Crs operating revenue during FY17 as against Rs. 223.89 Crs in FY16
- **High inventory build-up position:** Inventory position has increased from Rs. 360.07 Crs in FY16 to Rs. 468.81 Crs in FY17. As on 30<sup>th</sup> June, 2017, the Company's inventory of flats was 2359 nos. (503 ready to occupy flats and 1856 WIP). The increase of inventory position in FY17 was partly due to the acquisition of the proprietorship firm of the Director, which had its own inventory in the form of land bank
- High dependency on customer advances and bank borrowings to execute the projects
- Sensitivity to external factors including cyclical nature and present challenging environment of the real estate industry

### 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)

### 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 on 12th Feb, 2008 with its registered office in Chromepet, Chennai. The Company is engaged real estate development (mainly residential). 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 serving to more than 3600 customers.

The Company is currently executing three key projects, namely "Temple Waves", "Palm Rivera" and "The Royal Castle", having 14 towers each, out of which 16 towers have been completed. These projects are located in Chromepet, Chennai. The Company had sold 503 flats in FY17. During Q1FY18, the Company had sold 123 Flats.

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. 199.95 Crs in FY17 (Prov) against Rs. 223.89 Crs in FY16. PAT for FY17 (Prov) stood at Rs. 1.47 Crs against Rs. 2.16 Crs in FY16. Tangible Net-worth as on 31st March 2017 (provisional) was Rs. 165.80 Crs as against Rs. 53.00 Crs in FY16. Total debt stood at Rs. 320.98 Crs as on March 31, 2017 (Prov). D/E ratio was 1.94 times as on March 31 2017 (Prov) as against 5.14 times in FY16.

Key financial indicators are summarized in Annexure II.

## Rating History for the last three years:

Sl No	Instrument/ Facility	Current Rating (Aug 2017)			Rating History with BWR		
		Type	Amount (Rs. Crs)	Rating	2016	2015	2014
1.	Fund Based	Long Term	460.39	BWR BBB- (Outlook: Stable)	Not Rated	Not Rated	Not Rated

## Status of non-cooperation with previous CRA:

- India Ratings has migrated APDCL's long term bank loan rating to "Issuer Not Cooperating" category on 27<sup>th</sup> May 2017 as the company did not participate in India Ratings' surveillance exercise.
- ICRA has denoted its rating for the long term bank loan facilities of the company as "Issuer Not Cooperating" on 16<sup>th</sup> March 2017.

**Any other information: Not applicable**

## Hyperlink/Reference to applicable Criteria:

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



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**Amar Prakaash Developers Private Limited**  
 (Annexure I – Details of Rated Facilities \*)

Facility (in Rs. Crs)	Banks/ Financial Institution				Total
	PNB Housing Finance Limited	State Bank of India	Indian Overseas Bank	Bank/ Banks	
Dropline OD	-	23.75	-	-	<b>23.75</b>
Term Loan	209.14	55.00	22.50	-	<b>286.64</b>
Proposed Term Loan				150.00	<b>150.00</b>
<b>Total</b>	<b>209.14</b>	<b>78.75</b>	<b>22.50</b>	<b>150.00</b>	<b>460.39</b>

**Annexure II**  
**Key Financial Indicators**

Particulars	Unit	FY 16 (Audited)	FY 17 (Provisional)
Operating Income	Rs. Crs	223.89	199.95
EBIDTA	Rs. Crs	40.16	41.79
PAT	Rs. Crs	2.16	1.47
Tangible Net-worth	Rs. Crs	53.00	165.80
Total Debt/ TNW	Times	5.14	1.94
Current Ratio	Times	2.03	2.90

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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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