



## Rating Rationale

### Amritsar Development Authority

16 March 2018

Brickwork Ratings assigns ratings for the long term bank loan facilities of Amritsar Development Authority sponsored for Amritsar New Urban Estate Batala Plot Project.

#### Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	Rating Assigned
<b>Fund Based</b> Term Loan(o/s)	<b>55.15</b>	<b>Long Term</b>	<b>BWR BB</b> (pronounced as BWR Double B) <b>Outlook : Stable</b>
<b>Total</b>	<b>Rs 55.15 Crores (INR Fifty Five Crores and Fifteen Lakh Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

**BWR assigns Long term rating of BWR BB for bank loan facilities of Amritsar Development Authority sponsored for Amritsar New Urban Estate Batala Plot Project.**

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

While assigning the rating of Amritsar Development Authority (ADA or 'the Development Authority'), BWR has factored in the experienced management of the authority, past development project experience, current project completion status along with status of advances from project. The rating draws comfort from experienced management, past urban estate project experience besides being a government entity. The rating is constrained by minimal receivables of customer advances till date, delayed project status, as also by risks inherent to real estate projects.

#### Key Rating Strength

- **Experienced management** : The management is experienced and comprises Smt Deepti Uppal (IAS) Chief Administrator, Smt Anupreet Kaur (PCS) Estate Officer, Sh. Sunil Kansal, Superintending Engineer, Sh. Ranbir Singh, Divisional Engineer and Sh. Vasudev Singh, Divisional Engineer.
- **Past development project experience** : In the past executed project viz. Development of UE Gurdaspur, ADA has recovered Rs.115.68 Cr (from 683 plots and 11 shops) out of 155 Acre (863 plots and 16 shops).

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- **Government backed authority** : Since the project is backed by PUDA and Punjab government, the risk is moderate in the ability of the ADA to repay its loan obligations. As per lender's feedback, repayment was scheduled to start from Jan 2018; however ADA made early payment.

### **Key Rating Weaknesses**

- **Inherent risk to real estate/residential plot industry** : Real estate/residential plot is highly regulated and completion of the projects depend upon on number of internal as well as external factors viz. cost overruns , customer sentiments, default in customer advances besides political factors.
- **Delaying of Project** : The project is delayed by approximately one year, owing to statutory delays. Now work on the project has commenced as per confirmation by ADA.
- **Minimal advances received** : Currently only 25% of initial amount viz. Rs.1.77 Cr in respect of 24 plots has been received as advances till the 31st Jan 2018. Since the cost of project is estimated at Rs 157.69 Cr, ADA is far from the realization of value equal to cost of project. However, given the better management practices at ADA, it has started planning for the project in a phased manner. First phase commenced in Feb. 2018 and after completion of first phase, 75% of the amount will be received from the allottees. Allotment of all 315 plots will be done in FY19. In the event of project delays, cost overruns, or not receiving full subscription ADA may have to manage its loan repayment from its own sources. However ADA has made sufficient provision for the same in the budget for FY 19.

### **Analytical Approach:**

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

### **Rating Outlook: Stable**

BWR believes the *Amritsar Development Authority'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 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**

Amritsar Development Authority, Amritsar (ADA) constituted under the Punjab Regional and Town Planning & Development Act, 1995 was notified by the Punjab Government and has been made functional from July 16, 2007. The Authority has been constituted for the execution of plans and programmes under the Act so as to work under the direction of the Punjab Regional and Town Planning & Development Board. The Authority has been empowered to acquire, hold and disposal of both movable and immovable property.



Under ‘ADA Amritsar Freehold Residential Plots Scheme 2016-17 ‘, Amritsar Development Authority has proposed for the allotment of 315 freehold residential plots. ADA has also published an official notification regarding this new scheme. The price of plots is Rs. 9900 per sq yard in ADA Amritsar New Urban Estate Batala Plot Scheme. These plots are located at Amritsar Pathankot Road, Batala-Jalandhar Bye pass, Batala Distt. Gurdaspur Punjab

### Firm’s Financial Performance

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenue	Rs. Crores	18.84	11.65
EBIDTA	Rs. Crores	-(1.06)	-(6.71)
PAT	Rs. Crores	-(1.21)	-(6.91)
Tangible Networth	Rs. Crores	8.94	2.04
TOL : TNW Ratio	Times	10.38	97.12
Current Ratio	Times	2.03	0.60

### Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016	FY2015
1.	Term Loan(o/s)	Long Term	55.15	<b>BWR BB</b> <b>Outlook : Stable</b>	NA	NA	NA
	<b>Rs 55.15 Crores (INR Fifty Five Crores and Fifteen Lakh Only)</b>						

*FY refers to the period from 1<sup>st</sup> April to 31<sup>st</sup> March each year*

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information - NIL

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Public Finance-State Government Entity](#)
- [Infrastructure Sector](#)



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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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, 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.

**DISCLAIMER**

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