

Rating Rationale

Brickwork Ratings assigns ‘BWR BB-’ for the Existing & Proposed Bank Loan Facilities aggregating ₹140 Cr of Ansal Hi-Tech Townships Ltd

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ to the Bank Loan Facilities of Ansal Hi-Tech Townships Ltd’s (AHTTL) amounting to Rs. 140 Cr as under:

Facility	Amount (₹Crs)	Tenure	Rating
Term Loan Sanctioned (Fund Based)	50.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable
Term Loan Proposed (Fund Based)	90.00		
Total	140.00	INR One Hundred Forty Crores Only	

BWR has principally relied upon the audited financial results of the company up to FY15, projected cash flow statements for the individual projects, publicly available information and information/clarifications provided by the company.

The rating factors in positively Ansal Group’s experience in the real estate sector and project parameters, relating to 3 projects for which loans are sanctioned/sought. The rating, however, remains constrained by nascent stage of construction of Paradise Crystal and EWS/LIG/MIG Scheme, project off-take risk as significant area remains to be sold under all the three schemes, extensive reliance on customer advances, constrained liquidity position of the group and slowdown in the NCR real estate market.

Background:

Ansal Hi-Tech Townships Ltd (AHTTL) was incorporated in November 2006 at New Delhi. The company is developing a mega township project – Sushant Megapolis, Green Hi-Tech Township at Dadri (Uttar Pradesh) comprising Residential, Commercial, Retail, Sports & Recreation, Education and Technology, Institutional and Industrial Areas, and site for hospitals, and other community facilities.

The mega project comprise of three different residential schemes – Paradise Crystal (6.34 acres), Fairway Apartments (21.68 acres) and the EWS/LIG/MIG Scheme (11.63 acres) for which the rated term loans are availed/proposed.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The project was awarded to the company by the Uttar Pradesh Government pursuant to the Hi-Tech Township Policy of the UP government vide its letter dated November 28, 2006 and the company has obtained all the required approvals for the project.

AHTTL is a subsidiary of Ansal Properties and Infrastructure Ltd.

Ansal Properties and Infrastructure Ltd (APIL):

Ansal Properties and Infrastructure Ltd. (APIL), incorporated in the year 1967, is a leading real estate developer in India with over four decades of real estate development experience. Since inception, the Company has delivered projects in various product segments including integrated townships, stand-alone projects in the residential, commercial, retail and hospitality segments, SEZs, industrial parks and in the social sectors such as educational institutions, hospitals, clubs etc. APIL's projects are located mainly in the National Capital Region ('NCR') and other northern states of Uttar Pradesh, Haryana, Rajasthan and Punjab.

The key promoters of APIL, viz., Mr. Sushil Ansal and Mr. Gopal Ansal had some litigations in respect of a previous fire accident and they have paid the penalty of Rs. 30 Crs in compliance with the Supreme Court's order. However, there is a review petition filed against the order which is due for hearing.

Ownership & Management:

As of 31st March 2015, APIL (jointly with Star Estates Management Ltd, Uttam Galva Steels Ltd and Nirman Overseas Pvt Ltd) owns 85.83% shares of the company. HDFC Asset Management Company Ltd is also an investor in the company & holds 13.41% shares and remaining stake is held by the family members of the promoters. APIL has informed that it is in the process of purchasing back the shares held by HDFC AMC.

The Board of Directors consists of Mr. V. K. Saigal, Mr. Ashish Sharma and Mr. Sunil Mattoo who are senior level executives in the Ansal Group. The Board also includes two independent directors namely, Mr. Astik Mani Tripathi and Mr. Shazan Ali.

Project Details:

Fairway Apartments: The Project includes construction of 14 Towers consisting of Studio, 1 BHK, 2 BHK, 3 BHK & 4 BHK apartments with area ranging from 527 Sq. Ft. to 2408 Sq. Ft. Total cost of the project is estimated at Rs. 275 Crs of which the company has incurred Rs. 262.49 Crs as on January 31, 2016.

Paradise Crystal: The Project involves construction of 2 BHK, 2 BHK + Study apartments with area ranging from 1060 Sq. Ft. to 1315 Sq. Ft. Total cost of the project is estimated at Rs. 148 Crs of which the company has incurred Rs. 21 Crs as on January 31, 2016.

EWS/LIG/MIG Scheme: The scheme involves construction of 1 BHK apartments for EWS & LIG customers and 2 BHK apartments for MIG customers with a unit size of 270 Sq. Ft., 502 Sq. Ft. and 1075 Sq. Ft. for EWS, LIG and MIG apartments respectively. Total project cost is estimated at Rs. 165 Crs of which the company has incurred Rs. 44 Crs as on January 31, 2016.

Financial Performance:

AHTTL is recognizing revenue based on the percentage of completion method. The company reported an Operating Income of Rs. 20.30 Crs for FY15. Since, the company has not achieved the 25% cut-off for the project cost in many schemes of the township project, the revenue recognized is lower. The Company reported an EBITDA Margin of 9.83% and Net Margin of 5.08% for FY15.

Tangible Networth stood at Rs. 156.40 Crs as on March 31, 2015 with an Overall Gearing of 1.39 times. AHTTL has also issued NCDs worth Rs. 200 Crs which have been subscribed by a real estate fund.

Rating Outlook:

Two schemes – Paradise Crystal and EWS/LIG/MIG Scheme are at a nascent stage of construction. The company has sold significant area in all the three schemes, however, the ongoing slowdown in the segment may impact sales of the remaining area.

The outlook for the current year is Stable. Going forward, ability of the company to complete the projects as per schedule within the stipulated costs, sell the remaining area, collect remaining receivables promptly from the customers, achieve financial closure for Paradise Crystal & ESW/LIG/MIG Scheme and ensure regular debt servicing shall remain key rating monitorables.

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