

Rating Rationale

Brickwork Ratings assigns ‘BWR BB- (SO)’ for the Proposed Bank Loan Facilities aggregating ₹ 20 Cr of Ansal Properties & Infrastructure Ltd (APIL) – Sushant Square Project

Brickwork Ratings (BWR) has assigned the following **Rating¹** to the Bank Loan Facilities of Ansal Properties & Infrastructure Ltd (APIL or “the Company”) – Sushant Square Project as under:

Facility	Amount (₹ Cr)	Tenure	Rating
Term Loan Proposed (Fund Based)	20.00	Long Term	BWR BB- (SO) [Pronounced BWR Double B Minus (Structured Obligation)] Outlook: Stable
Total	20.00		INR Twenty Crores Only

BWR has principally relied upon the audited financial results of the company up to FY16, projected financial statements up to FY18, and projected cash flow statement for the project, publicly available information and information/clarifications provided by the company.

The rating factors in the credit enhancement in the form of escrow account to be maintained with the Bank and all the project receivables will be transferred through the account. The lender will monitor all the inflows and outflows from the said escrow account, based on the same Structured Obligation rating has been assigned.

The rating draws strength from Ansal Group’s experience in the real estate sector and project parameters. The rating, however, remains constrained by nascent stage of construction of the project, project off-take risk as significant area remains to be sold, extensive reliance on customer advances, constrained liquidity position of the group and slowdown in the NCR real estate market.

Background:

Ansal Properties and Infrastructure Limited (APIL) is the flagship company of Ansal API Group. The group is a prominent real estate developer in India from last four decades and is promoted by Mr. Sushil Ansal. Ansal API Group is engaged in the development of integrated townships and other large mixed-use and standalone projects in the residential, commercial, retail and hospitality space segments, as well as SEZs, IT/ITES and industrial parks. The Group has delivered projects over 192 million square feet (msft) in various product segments. Projects are mainly located in National Capital Region (NCR), Uttar Pradesh, Haryana, Rajasthan and Punjab. Post projects delivered as on March 31, 2015, APIL had land reserves of more than 8000 acres.

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

APIL has proposed the loan for the commercial scheme – Sushant Square under the mega township project – Sushant Megapolis at Dadri (Uttar Pradesh) being constructed & developed by its SPV – Ansal Hi-Tech Townships Ltd (AHTTL). The mega township project comprises Residential, Commercial, Retail, Sports & Recreation, Education and Technology, Institutional and Industrial Areas, and site for hospitals, and other community facilities.

Project Details – Sushant Square:

The project is developed as a commercial/shopping centre in the mega township project. The project comprises saleable area of 109378 Sq. Ft. Total cost of the project is estimated at Rs. 43.71 Crs to be funded by a Term Loan of Rs. 20 Crs, Promoters’ Contribution of Rs. 8 Crs and Customer Advances of Rs. 15.71 Crs. The company has already incurred a cost of Rs. 12.31 Crs and sold an area of 43301 Sq. Ft. with a sales value of Rs. 20.46 Crs. The company has received advances amounting to Rs. 4.31 Crs from customers.

Financial Performance:

On a standalone basis, APIL reported an Operating Income of Rs. 693.86 Crs with an EBITDA Margin of 6.70% and Net Margin of 4.23% for FY16. Due to slowdown in the NCR real estate market, the company’s revenue stream is declining over the past three years. It declined from Rs. 1021.35 Crs in FY13 to the current level. Tangible Networth stood at Rs. 1683.89 Crs with an Overall Gearing of 0.42 times as on March 31, 2016.

APIL, on a provisional basis, reported an Operating Income of Rs.168.34 Cr with a Net Margin of 2.40% for Q1 FY17.

Rating Outlook:

The outlook of the facility is expected to be stable over the next twelve months. Going forward, the ability of the company to complete the project as per schedule within the stipulated costs, sell the remaining area and collect the receivables from the customers promptly shall remain key rating monitorables. Further, it is imperative for the Company to ensure adequate and timely cash flows to the Escrow account to meet the debt obligations for the project.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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