

Rating Rationale

Brickwork Ratings reaffirms 'BWR B+ (SO)' for the Bank Loan Facilities aggregating ₹140.62 Cr of Ansal Properties and Infrastructure Limited (APIL) – Serene Residency ETA II Project.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of Ansal Properties and Infrastructure Limited – Serene Residency ETA II Project (APIL or “the Company”):

Facility*	Previous Amount (₹ Cr)	Rating Amount (₹ Cr)	Tenure	Rating after Review	Rating History
Fund Based: Term Loan	150.00	140.62	Long Term	BWR B+ (SO) [Pronounced BWR B Plus (Structure Obligation)] Outlook: Stable (Reaffirmation)	BWR B+ (SO) [Pronounced BWR B Plus (Structure Obligation)] Outlook: Stable (November 2014)
Total	150.00	140.62	INR One Hundred Forty Crores and Sixty Two Lakhs Only		

BWR has relied upon the audited financial statements up to FY15, projected financial statements up to FY18, projected cash flows statement for the project up to FY20, publicly available information and information/clarifications provided by the company's management.

The rating continues to factor in the credit enhancement available in the form of escrow account maintained exclusively for the said project related receivables. All the receivables from Serene Residency ETA II Project are transferred into the escrow account maintained with Allahabad Bank and the Bank monitors the inflow and outflow of funds from the account. The rating also draws strength from the moderate booking status of the project and promoters' extensive experience in the real estate sector.

The rating, however, continues to remain constrained by significant dependence on customer advances to fund the project, stressed liquidity position of APIL, company's exposure to project implementation risks (the project has already suffered cost escalation resulting into postponement of COD) and inherent risks associated with the real estate sector.

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.

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

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.

Project Details – Serene Residency ETA II Project:

APIL launched a Group Housing Project in the name of Serene Residency ETAII in 2012 which is situated in Greater Noida. Built over an area of 13.03 acres, the Group housing project consists of 14 towers. The estimated cost of the project increased from ₹ 528.00 crores to ₹ 660.34 crores on account of improvement in the construction plan. The estimated cost is funded by promoter’s contribution of ₹ 181.68 crores, term loan of ₹ 150 crores and customer advances of ₹ 328.66 crores. The Company has already incurred a cost of ₹ 626.91 crores as on March 31, 2016 which includes the land cost of ₹ 95.18 crores.

The Company has sold 75% of the area under construction worth ₹ 316.30 crores and received approx. 70% of the total value of the area sold. The project is expected to be completed by June 2017 as against June 2016 as per initial estimates.

Financial Performance:

On a standalone basis, APIL reported an Operating Income of Rs. 837.09 Crs with an EBITDA Margin of 6.02% and Net Margin of 2.62% for FY15. 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. 1654.24 Crs with an Overall Gearing of 0.45 times as on March 31, 2015.

APIL, on a provisional basis, reported an Operating Income of Rs. 509.60 Crs with a Net Margin of 2.38% for 9M FY16.

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 the revised implementation 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

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