

Rating Rationale

Brickwork Ratings assigns ‘BWR B+’ for the Bank Credit Facilities amounting to ₹ 30 Cr of Arjun KKR Developers Limited

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the long term Bank Credit Facilities of Arjun KKR Developers Ltd (“AKDL” or “the Company”).

Facility	Limits (₹ Cr)	Tenure	Rating
<u>Fund Based Term Loan</u>	30.00	Long Term	BWR B+ (BWR B Plus) Outlook: Stable
Total	30.00 (INR Thirty Crores only)		

BWR has principally relied upon the audited financial results up to FY 13 and further projected financials of Arjun KKR Developers Ltd, publicly available information and information/clarification provided by the Company management.

The rating factors in delays witnessed in the project on account of slowdown in real estate; execution risks given that the project is in construction phase; saleability risk coupled with inherent cyclicity associated with real estate industry, lower booking status and market risks with regard to the un-booked area, which along with modest collection efficiency increases the risk of liquidity mismatch as the construction cost is planned to be met largely from the customer advances. The rating is also constrained by limited track record of operation, high interest rate scenario and fluctuating construction material prices associated with real estate business. The rating however derives comfort from the project’s attractive location, moderate land cost which results in healthy profitability, demand & supply metrics of residential housing market

Background

Arjun KKR Developers Ltd. (AKDL) is developing a group housing complex called “Arjun Lifestyle Greens” spread over 6.55 Acre of plot in Arjun city, located on the National Highway-58 adjacent to College of Engineering, Roorkee. The project comprises of just 700 units having 1/2/3 bedroom luxury and studio apartments. The envisaged project cost estimated at ₹97.88 Cr including land cost of approx. Rs. 1.62 crore which will be funded through term loan of ~₹30.00 Crore, promoters’ contribution of ₹24.47 Cr and ₹43.41 Cr by way of advances from customers. With all the requisite approval in place the project is expected to be completed by Nov, 15.

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

The total saleable area in the project is 0.52 million sq ft. BWR expects booking to expedite in medium term once construction work progressed by the end of 2014.

Financial Performance

Company has achieved the financial closure for the said project. Drawdown has not yet happened against the sanction term loan of Rs 30.00 Cr from BOI as on Dec 13

Rating Outlook

The ability of AKDL to successfully complete its ongoing project without any cost over runs and as per schedule along with the timely receipt of envisaged booking advances are the key rating sensitivities.

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