

Rating Rationale

Brickwork Ratings assigns 'BWR BBB (SO)' with a Stable Outlook for the Bank Loan Facilities aggregating to ₹ 44.04 Cr of Ashish Land & Property Developers Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ to the bank loan facilities of Ashish Land & Property Developers Pvt. Ltd. (ALPDPL or The Company):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Term Loan (Lease Rental Discounting)	44.04	Long Term	BWR BBB (SO) [Pronounced BWR Triple B (Structured Obligation)] Outlook - Stable
Total Limits	44.04	(INR Forty Four Crores & Four Lakhs Only)	

BWR has principally relied upon the audited financial results up to FY 16, publicly available information and information/clarifications provided by the company management.

The rating has, inter-alia, factored in promoter group having an established track record of over three decades in the real estate business, secured loan servicing structure by way of escrow mechanism, steady lease rentals, comfortable Loan-to-Value (LTV) ratio, moderate, improved financial profile marked by improved profitability. The rating is further comforted by the credit enhancement in the form of maintenance of Debt Service Reserve Account (DSRA). The rating is, however, constrained by low scale of operations, unfavourable gearing ratio as well as intense competition in the education sector impacting the rent servicing ability of the lessee.

Company Profile:

Ashish Land & Property Developers Pvt. Ltd., is a real estate company having constructed a school building in Beverly Park, Mira road and leased it out to its group affiliate Babubhai Kanakia Foundation & RBK Education Solutions Private Limited, for the purpose of running of the RBK Academy School, under the leave and license agreement.

Group Profile:

Incorporated in 1986, Kanakia Group is a renowned real estate player promoted by Rasesh Kanakia (Chairman) and Himanshu Kanakia (Managing Director). Kanakia Spaces Pvt. Ltd is the flagship company of the group and has delivered over 13 million sq. ft. of commercial, residential, entertainment, and education spaces till date.

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

The group has presence in commercial real estate, education and hospitality verticals. In the real estate leasing and education verticals, it operates under the brand name Cineline India Limited and RBK International, respectively. Brickwork Ratings has recently carried out a credit rating analysis of two of its group companies – Kanakia Hospitality Pvt. Ltd & Cineline India Limited, assigning a rating of ‘BWR A-’ to its hospitality arm ‘Kanakia Hospitality Pvt. Ltd and a rating of ‘BWR A- (SO) to Cineline India Limited, a commercial real estate company.

Structured Obligation:

Escrow mechanism for lease rental receivables

All the cash flows from the lease to be deposited into the designated account maintained with the bank. The bank has an exclusive first charge by way of escrow mechanism over the lease rentals from RBK Education Solutions Pvt. Ltd. The bank also has exclusive charge on developmental rights of Ashish Land & Property Developers Pvt. Ltd., on land building, plant and machinery, furniture and fixtures, both present and future. The company has provided an undertaking of maintaining a Debt Service Reserve Account (DSRA) in form of lien-marked FD, equivalent to four months of interest provides a sufficient cover to service the interest obligations.

Financial Performance:

As per financials for FY 16, ALPDPL’s operating income increased to Rs. 3.74 crs from Rs. 2.79 crs in FY 15. Profitability, both at EBITDA and PAT margins was strong at 98.64% and 58.72% respectively. Tangible Net worth of the company increased to Rs. 9.46 crs from Rs. 7.26 crs in FY 15, while, debt increased to Rs. 46.21 crs from Rs. 59.82 crs in FY 15, with the adjusted gearing ratio at 4.90x in FY 16 from 0.48x times in FY 15. Debt coverage ratio of ISCR at 1.46x in FY 16, improving from 1.14x in FY 15. Liquidity remained comfortable with Current Ratio at 1.48x.

Rating Outlook:

The outlook for the company over the year is stable. Going forward, company’s ability to increase its scale of operations with renegotiated lease rental agreements along with improving the capital structure remain the key rating sensitivities.

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