RATING RATIONALE

21 July 2021

Ashish Land & Property Developers Private Limited

Brickwork Ratings reaffirms the ratings of BWR BB with revision in outlook from Stable to Negative for the Bank Loan Facilities of Rs. 31.24 Crs. of Ashish Land & Property Developers Limited (ALPDPL or "The Company") and simultaneously removes the rating from Issuer Not Cooperating category.

Particulars

Facility	Amount (Rs. Crs.)		Tenure	Rating#	
	Previous	Present		Previous (June, 2020)	Present
Fund based	35.77	**31.24**	**Long Term**	BWR BB/Stable [Reaffirmed] ISSUER NOT COOPERATING*	**BWR BB/Negative [Removed from INC and Reaffirmed with revision in outlook]**
Total	35.77	**31.24**	**Rupees Thirty One crores and Twenty Four lakhs Only**		

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
*Issuer did not cooperate, Based on the best available information.
Details of Bank facilities is provided in Annexure-I

RATING : Rating removed from INC and reaffirmed with revision in outlook.

RATING ACTION / OUTLOOK

The rating has been removed from the "ISSUER NOT COOPERATING" (INC) category and reaffirmed with revision in outlook. Removal from INC is as result of the Company furnishing the necessary data for review of the rating.

The reaffirmation of the rating continues to take comfort from the established presence of the Kanakia Group in the real estate sector. The rating also factors in the low renewal risk and presence of escrow mechanism. The rating continues to derive comfort from the assured financial support by the directors/promoters in case of need.

However, the outlook stands revised to Negative on back of the forced closure of schools due to the outbreak of COVID -19 pandemic. Even though the schools are conducting online classes, the fee collections of the school were hampered during the initial quarters of FY2021. The cash flow of the Company is dependent on the payments from its single tenant, which can get disrupted due to the ongoing pandemic. Hence, the overall revenue and cash accruals are expected to remain under pressure due to the impact of COVID-19.

Further, the liquidity profile of the Company has remained adequate as the company has been able to collect stable rent in a timely manner. The rent collections in the future might come under pressure if its tenant faces any challenges in fees collection from its students. The liquidity profile is partially supported by the security deposits from the tenants available with ALPDPL. The Company had also availed moratorium on its bank debt obligations during the period from April, 2020 to August, 2020 as part of the COVID-19 regulatory package announced by Reserve Bank of India (RBI) however it has repaid the same as on date. The Company also benefits from the financial flexibility of the promoters, which provides additional comfort and the interest income earned on the investments of the Company.

Outlook:
The outlook has been revised to "Negative" on back of the expected deterioration in the revenue resulting from continued closure of the rented spaces of the Company and the compulsions arising out of the pandemic, which may result in the lessees not generating sufficient income to sustain the rent payments. This is also expected to adversely impact the liquidity profile of the Company.

KEY RATING DRIVERS

Credit Strengths-:

- **Strong promoter group with extensive experience in the real estate and hospitality sector**
  ALPDPL is part of the Kanakia group which was established in the year 1986 and is a renowned real estate player in the Mumbai region. The group is promoted by Mr. Rashesh Kanakia and Mr. Himanshu Kanakia. Kanakia Space Realty Private Limited is the flagship company of the group and the group has delivered over 13 million square feet (Sq. ft.) of commercial, residential, entertainment and education space till date. The group also operates in other sectors including hospitality, entertainment and education.

- **Long term lease agreement with increase in rentals every year**
  The Company has already signed the extended lease agreement for a period of another five years after the lock-in period expired in FY2021. Also, the lease agreement includes a rent escalation clause whereby the rent is expected to increase by 10 percent every year which is likely to improve the scale of operations of the Company.

- **Presence of the escrow mechanism:**
  The Company maintains escrow account with the lender as per the terms of sanctions, wherein all the lease rentals are directly deposited into the escrow account and utilised first to the debt servicing and then towards the operating expenses. Hence, the presence of the escrow mechanism ensures timely servicing of the debt. Also, the Company receives regular interest income from the investment made in the partnership firm which is expected to further support the liquidity profile of the Company.

Credit Risks-:

- **Disruption in business operation due to COVID-19:**
  The forced closure of schools has been due to the nation-wide lockdown resulting from the outbreak of COVID-19 pandemic. Further, even though the schools are conducting online classes and have adopted a monthly fee collection system instead of the usual half-yearly basis, the fee collections of these schools are below par in FY21. This might adversely affect the overall revenue and profitability of the Company's tenants which might result in delayed payment or low rent remittances for ALPDPL. However, the security deposits available with ALPDPL may help to cushion its liquidity profile to a certain extent. Going forward, the timely recovery of pending receivables and future rentals under the current economic scenario will be critical.

- **Single asset and tenant concentration risk:**
  The Company has only two tenants i.e. Babubhai Kanakia Foundation (BKF) and RBK Education Solutions Private Limited (RBKESPL) operating the RBK International School at the Company's leased out property located at Mira-Bhayander Road. The cash flow of ALPDPL is dependent on the payments from these tenants. The operations of the Company can be adversely affected in case the tenant vacates the property. However, in view of the nature of business of this tenant, and the long lease term, the probability of vacation by the tenant appears remote.

- **Increased competition in the Education Sector:**
  The number of schools providing quality education across various boards (SSC, CBSE, ICSE etc.) has shown a rise over the years, resulting in increased competition in the education sector, thus limiting the lessee's ability to increase fees. This, in turn, can impact the rent servicing ability of the lessee.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has principally relied upon the standalone audited financials up to FY20 and provisional financials for FY2021, publicly available information and clarification/information provided by the Company.

RATING SENSITIVITIES

Positive:

The outlook will be revised to Stable if the Company reports:

- Significant growth in future rentals or net cash accruals of the Company
- Significant reduction in the external debt of the Company.

Negative:

The rating will be downgraded if the:

- Lower than expected remittances of rent by the tenants resulting in deterioration of debt coverage indicators
- Increase in investments or increase in the total debt to equity of the Company.

LIQUIDITY POSITION: ADEQUATE

RBK School is presently conducting online classes for its students and has also changed its fees collection cycle from half yearly to monthly thereby ensuring timely payment of lease rental to ALDPL. As a liquidity measure, the Company availed moratorium for the payment of bank debt obligations during the period from April, 2020 to August 2020, as part of the COVID-19 regulatory package announced by the Reserve Bank of India (RBI) and serviced all the debt obligation as on date. The Company has debt repayment obligations of around Rs. 12.67 crores for the next twenty four months and the same is expected to be met sufficiently through its net cash accruals. The Company also benefits from the financial flexibility of its promoters who have a track record of bringing in funds to support the liquidity requirements of the company. Further, the Company maintains DSRA with three months interest in the form of fixed deposit with the lender and also holds security deposits including six months rent given by the tenant. The Company also has the buffer of interest income earned on the investments made by the Company.

COMPANY PROFILE

Ashish Land & Property Developers Private Limited, 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 School under the leave and license agreement.

The Company is part of the Kanakia group which was established in 1986. The group is promoted by Mr. Rashesh Kanakia (Chairman) and Mr. Himanshu Kanakia (Managing Director). Kanakia Spaces Realty Private Limited is the flagship Company of the group and has delivered over 13 million sq. ft. of commercial, residential, entertainment, and education spaces till date. The group also has presence in other verticals such as education and hospitality.

Key financials Indicators

Key Parameters	Units	FY2019	FY2020
Result Type		**Audited**	**Audited**
Operating Revenue	Rs. Crs	7.45	8.19
EBITDA	Rs. Crs	6.28	6.97
PAT	Rs. Crs	4.28	3.43
Tangible Net worth (Adjusted)	Rs. Crs	20.13	59.16
Total Debt/Tangible Net worth (Adjusted)	Times	1.98	0.62

As per the provisional financials, the Company has reported operating income of Rs. 8.06 crores and profit after tax of Rs. 3.04 crores for FY2021. Further, the Company has reported adjusted total debt of Rs. 31.22 crores and adjusted tangible net worth of Rs. 66.42 crores as on 31.03.2021.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Applicable
ANY OTHER INFORMATION: Not Applicable

RATING HISTORY FOR THE PREVIOUS THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

Instrument / Facilities	**Current Rating**			**Rating History**		
	Tenure (Long Term/ Short Term)	Amount (Rs. Crs.)	Rating	2020^	13 March 2019	14 February 2018
Fund Based	Long Term	31.24	BWR BB/ Negative [Removed from INC and Reaffirmed with revision in outlook]	27 March 2020 FB | 35.77 | BWR BB/ Stable [Re-assigned on stand-alone level] 18 June 2020 FB | 35.77 | BWR BB/ Stable [Re-affirmed] ISSUER NOT COOPERATING*	BWR BBB/ Stable (SO) [Reaffirmed]	BWR BBB/ Stable (SO) [Reaffirmed]
Total		**31.24**	**Rupees Thirty One crores and Twenty Four lakhs Only**			

^Rating was moved to Not Reviewed Advisory on 16th March, 2020.
* Issuer did not cooperate, based on the best available information.

COMPLEXITY LEVELS OF THE INSTRUMENTS : SIMPLE
For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [What constitutes Non-Cooperation]
- [Rating Criteria for Service Sector]

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ANNEXURE I

Ashish Land & Property Developers Private Limited

Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [Rs. Crs.]	Short Term [Rs. Crs.]	Total [₹ Cr]
1.	RBL Bank	Term Loan	31.24	-	31.24
TOTAL					**31.24**

Total Rupees Thirty One Crores and Twenty Four lakhs only.

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