



## Rating Rationale

Ashish Land & Property Developers Pvt. Ltd

13 Mar 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 39.33 Crores of Ashish Land & Property Developers Pvt. Ltd.**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (February, 2018)	Present
Fund based	42.05	39.33	Long Term	BWR BBB (SO) [BWR Triple B (Structured Obligation)] (Outlook: Stable)	BWR BBB (SO) [BWR Triple B (Structured Obligation)] (Outlook: Stable)  (Reaffirmed)
Total	42.05	39.33	₹ Thirty Nine Crores and Thirty Three Lakhs Only		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Ratings: Reaffirmed

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY 18, projections till FY 20, 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 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,



high gearing ratio as well as intense competition in the education sector impacting the rent servicing ability of the lessee.

## **Description of Key Rating Drivers**

- **Credit Strengths:**

*Established Track Record of Promoter Group:* Reputed brand name in the Real Estate and Hospitality sector with a proven track record established track record of over three decades in the real estate business spread across the commercial, residential, malls and entertainment segments, stable operations of hotel

*Liquidity:* The loan is self liquidating with an escrow management ensuring enhanced serviceability.

*Credit Enhancement:* Maintenance of a DSRA, in form of lien-marked FD, equivalent to four months of interest provides a sufficient cover to service the interest obligations.

*Rent Income Stability:* The consistent flow of rentals from the trust is expected to comfortably cover the debt servicing obligations over the term of the loan.

*Profitability –* The profitability, both at Operating Profit & Net profit levels continues to be high, better equipped to absorb higher costs.

- **Credit Risks:**

*Leveraged Capital Structure:* The capital structure continues to be highly leveraged with gearing ratio continuing to be high. However, considering the unsecured loans from related parties as quasi-equity, the adjusted gearing ratio is at a relatively comfortable level.

*Relatively low scale of operations:* The company's operations are on relatively lower scale .

*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 power to increase the fees. This, in turn, can impact the rent servicing ability of the lessee.

## **Analytical Approach**

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).



### **Rating Outlook: *Stable***

BWR believes the **Ashish Land & Property Developers Pvt. Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

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 School, under the leave and license agreement.

### **About the Group**

Incorporated in 1986, Kanakia Group is a renowned real estate player promoted by Rasesh Kanakia (Chairman) and Himanshu Kanakia (Managing Director). Kanakia Spaces Realty 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.

The group has a 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.

### **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 and BKF Trust. 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.

### **Company Financial Performance**

As per audited financials for FY18, Total Operating Income increased to Rs. 6.77 Crs (v. Rs. 6.15 crs) with increase in rental income. Profits relative to the revenues remained high, with Operating Profit & Net



Profit at Rs. 4.58 Crs (v. Rs. 4.83 crs) & Rs. 1.98 Crs (v. Rs. 4.41 crs) respectively. Tangible Net Worth increased to Rs. 15.85 Crs (v. Rs. 13.87 crs), while Total Debt declined to Rs. 42.16 crs (v. Rs. 45.06 crs), resulting in a Gearing Ratio of 2.66x (v. 3.25x). Coverage Ratio of ISCR at 1.07x is sufficient to cover interest obligations and expected to improve as the interest outgo declines.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	14 Feb 2018	2017	07 Dec 2016
1.	Fund Based	Long Term	39.33	<b>BWR BBB (SO)</b> [BWR Triple B (Structured Obligation) <b>Outlook: Stable (Reaffirmed)</b>	BWR BBB (SO) [BWR Triple B (Structured Obligation) Outlook: Stable	-	BWR BBB (SO) [BWR Triple B (Structured Obligation) Outlook: Stable
	<b>Total</b>		<b>39.33</b>	<b>₹ Thirty Nine Crores and Thirty Three Lakhs Only</b>			

### Status of non-cooperation with previous CRA (if applicable)-Reason and comments

NA

### Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Crs	6.15	6.77
EBITDA	₹ Crs	4.83	4.58



PAT	₹ Crs	4.41	1.98
Tangible Net worth	₹ Crs	13.87	15.85
Total Debt/Tangible Net worth (A)	Times	3.25	2.66

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#) [Approach to Financial Ratios](#)
- [Structured Obligations \(SO\) Instruments](#) [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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