



Rating Rationale

Ashish Land & Property Developers Pvt Ltd

14 Feb 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 42.05 Crores of Ashish Land & Property Developers Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (December, 2016)	Present
Fund based	44.04	42.05	Long Term	BWR BBB (SO) [BWR Triple B (Structured Obligation) (Outlook: Stable)	BWR BBB (SO) [BWR Triple B (Structured Obligation) (Outlook: Stable) <i>(Reaffirmed)</i>
Total	44.04	42.05	₹ Forty Two Crores and Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY 17, 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: Kanakia Group is a reputed brand name in the Real Estate and Hospitality sector with an established track record of over three decades in the real estate business spread across the commercial, residential, malls and entertainment segments, along with stable operations of its hotels.

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

Credit Enhancements: 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 lease agreement with RBK Educations Solution Pvt Ltd and Babubhai Kanakia Foundation is expected to comfortably cover the debt servicing obligations over the term of the loan.

Profitability: Operating Profit Margin & Net Profit Margin at 78.46% & 71.72% is high, continuing its trend over the past years. This provides it more comfort in absorbing higher costs.

- **Credit Risks:**

Capital Structure: The company's capital structure, largely consisting of debt remains adverse. However, considering the unsecured loans from related parties as quasi-equity, the adjusted gearing ratio is at a relatively comfortable level.

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 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's** 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, profit and cash and



cash equivalents show sustained improvement. The rating outlook may be revised to 'Negative' if the rent receivables from the lease rental agreement are lower than projected numbers, impacting timely servicing of the debt obligations.

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 Academy 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 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 presence in commercial real estate, education and hospitality verticals. In the real estate leasing and education verticals, it operates under the brand name Cinline 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. 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 FY 17 financials, Total Operating Income for Ashish Land & Property increased to Rs. 6.15 crs in FY 17 (v. Rs. 3.74 crs), an increase of 64.67% primarily on account of renegotiated rental agreement with the lessee. Profits relative to the revenues remained high, with Operating Profit & Net Profit at Rs. 4.83 crs (v. Rs. 3.69 crs) & Rs. 4.41 crs (v. Rs. 2.19 crs) respectively. Tangible Net Worth increased to Rs. 13.87 crs in FY 17 (v. Rs. 9.46 crs), while Total Debt declined to Rs. 45.06 crs (v. Rs. 46.29 crs), resulting in a Gearing Ratio of 3.25x (v. 4.90x). Current Ratio declined to 0.89x in FY 17 (v. 0.89x) primarily due to higher short term provisioning.



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	07 Dec 2016	2015
1.	Fund Based	Long Term	42.05	BWR BBB (SO) (Outlook: Stable) <i>(Reaffirmed)</i>	-	BWR BBB (SO) (Outlook: Stable)	-
Total			42.05	₹ Forty Two Crores and Five Lakhs Only			

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Crs	3.74	6.15
EBITDA	₹ Crs	3.69	4.83
PAT	₹ Crs	2.19	4.41
Tangible Net worth	₹ Crs	9.46	13.87
Total Debt/Tangible Net worth	Times	4.90	3.25
Current Ratio	Times	1.48	0.89

Hyperlink/Reference to applicable Criteria

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



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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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