



## Rating Rationale

Assotech Realty Pvt. Ltd.

11Feb2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹.132 Crores of Assotech Realty Pvt. Ltd.

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sept 2017)	Present
Fund based	105.02	132.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook Stable (Reaffirmed)
<b>Total</b>	<b>105.02</b>	<b>132.00</b>	<b>Rs. One Hundred and Thirty Two crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Ratings: Reaffirmed

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

While reviewing the rating of Assotech Realty Pvt. Ltd. (“ARPL” or the company), BWR has essentially relied upon the audited financial results of the company upto FY18, projected cash flows upto FY22, publicly available information and information/clarifications provided by

Assotech Realty Pvt. Ltd. is a Delhi based real estate developer. The company is presently executing a project named Assotech Business Cresterra at Sector 135, Noida, which includes office space, retail space and service apartments. The project is being developed on a land measuring 13 acres in Noida with a total saleable area of approx. 18.74 lakh sq. ft. The project is divided into 2 parts viz. Phase 1 and Phase 2. Entire phase 1 is completed and Phase 2 of project is expected to be completed by July, 2020.



The rating continues to draw strength from experience of the promoters and long established track record of the company. The rating also factors in satisfactory progress of the project under execution. The rating is, however, constrained by project off take risks, high reliance on customer advances for project execution and other inherent risks associated with real estate projects.

For Phase 1 of the project, collection from sales of residual space and realisation of receivables is the dominant source of cash flows that is expected to be generated till Q3 FY20 and would be utilised for payment of outstanding liabilities, interest costs on borrowings and other contingencies. Almost 87% of the saleable area in this phase is sold out. Phase 1 is already complete and operational. For Phase 2, as against the total estimated project cost of Rs.364 crs, almost 52% has been undertaken. About 79% of the project cost is proposed to be met by booking advances and rest 21% through bank borrowings. Realisation of receivables and sales of unsold areas is the dominant source of cash flows that are proposed to be utilised towards construction expenses, other liabilities and interest cost on borrowings. More than 50% of the expected cash inflows from Phase 2 are expected in FY20-21. The company expects to meet the cash flow mismatch during progress of Phase 2 through undrawn loan amount of Rs.39 crs, realisation proceeds from sale of company owned land, which is located in Ahmednagar district of Maharashtra and revenue streams from serviced apartments in Sandal Suites that are operated under agreement with Lemon Tree.

#### **Description of Key Rating Drivers:**

##### **Rating Strengths:**

- **Experienced promoter:** Mr. Neeraj Gulati, CA, is the chief promoter of the company. He started his career in mid '90s and completed Tradex Towers, the first commercial tower of Greater Noida. With this, he has more than 20 years business experience real estate sector. Mr. Umesh Nagpal, another promoter of the company, started his career with the merchant navy. He has held top management posts in various reputed organisations.
- **Established track record of operations:** The company has already executed and delivered more than 5 million sq. ft of residential, commercial and service apartments. Completed projects include Windsor Park Indirapuram, Cabana Serviced Residences Indirapuram, Springfields Greater Noida and Assotech Business Cresterra Phase 1.
- **Satisfactory progress of the project:** Phase 1 of the project is already operational since 2016 and almost 87% of the saleable area is sold out. The construction of phase 2 is under progress and almost 63% of the area is sold out.



### **Rating Concerns:**

- **Project Offtake risks ( Phase -2):** The phase 2 of the project is under progress and is expected to be completed by July 2020. Lenders have fixed DCCO as Dec 2020. Thus timely completion of phase 2 without cost and time overrun is the major risk.
- **High reliance on customer advances** - The company heavily relies on customer advances and booking mobilisations for completion of the project. Of the total estimated project cost of Rs.364 crs, booking advances and loans from FIs are proposed at 79% and 21% respectively.
- **Other inherent risks associated with Real Estate projects-** Real Estate is highly regulated and completion of the project depends upon a number of internal and external factors amongst which the most common are cost and time overruns and customer defaults, as the project is highly dependent on customer advances for its project funding.

### **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 **Assotech Realty 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 of timely execution of the project and realisation of cash flows as proposed by the Company. The rating outlook may be revised to 'Negative' in case of delays in project execution.

### **About the Company**

Assotech Realty Pvt. Ltd. (ARPL) is a Delhi based real estate developer. The company was incorporated as Sampada Realty Pvt. Ltd. in December 2002 and was later renamed as ARPL in December 2003. The company has already executed and delivered more than 5 million sq. ft of residential, commercial and service apartments. Completed projects include Windsor Park Indirapuram, Cabana Serviced Residences Indirapuram, Springfields Greater Noida and Assotech Business Cresterra Phase 1. The company is promoted by Mr. Neeraj Gulati and Mr. Umesh Nagpal. Both have combined shareholding of 27.59% as on 31st March 2018 in the company. Mr. Salil Kumar is the other director in the company.



### Company's Financial Performance

Key Parameters	Units	FY17	FY18
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Cr	130.33	112.04
EBITDA	₹ Cr	11.07	11.98
PAT	₹ Cr	6.54	3.59
Tangible Net worth	₹ Cr	63.19	66.64
Total Debt/Tangible Net worth	Times	3.95	3.97
Current Ratio	Times	1.02	1.35

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Feb 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	(Sept 2017)	(April 2016)	Date
1.	Fund Based	Long Term	132.00	BWR BBB-(Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB-(Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB-(Pronounced as BWR Triple B Minus) Outlook: Stable	NIL
	<b>Total</b>		<b>132.00</b>	<b>₹ One Hundred Thirty Two crores Only</b>			

Status of non-cooperation with previous CRA (if applicable) – NIL



**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [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.



**DISCLAIMER**

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