



Rating Rationale

Assotech Realty Private Limited

25 September, 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 105.02 Cr of Assotech Realty Private Limited.

Particulars

Facility Rated	Amount (Rs. Cr)		Tenure	Rating *	
	Previous	Present		Previous	Present
Term Loan (Fund Based)	102.14	105.02	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook: Stable)	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook: Stable) Reaffirmation
Total	102.14	105.02	INR One Hundred Five Crores and Two Lakhs Only.		

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

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, provisional financials for FY17, projections for FY18, publicly available information and information/clarifications provided by the ccompany.

The rating derives strength from the experience of the promoters and management team with their established track record, completion of phase 1 of the project, satisfactory booking rate and construction progress of phase 2 including major approvals in-place. The rating is, however, constrained by residual project execution risks, high dependence on customer advances for project funding of phase 2 and inherent risks associated with the real estate industry. The rating further takes note of the newly enacted law – Real Estate (Regulation and Development) Act, 2016 (RERA) which is applicable to all the ongoing and future real estate projects in India and RERA has several operational and financial implications on the realtors. The company has received RERA registration certificate and hence the project falls under the purview of RERA. Going forward, The Company's ability to adopt appropriate strategies for timely completion of its project including controlling costs, maintaining competitive pricing and margins, timely execution and salability of the project along with the timely recovery of receipt/advances from the customers remain the key rating sensitivities.



Key Rating Drivers

Rating Strengths:

Long track record of operations and experienced management - Company is promoted by Mr. Neeraj Gulati and Mr. Umesh Nagpal, who are also the directors in the company. The company has already executed and delivered more than 5 million sqft of Residential, commercial and Serviced Residences spaces. ARPL is into same line of business since 2003 and thus has long track record of operations.

Satisfactory progress of the project- Completion of phase 1 of the project is done during 2016 and over 90% of the phase 1 have been sold and cash received from the customers. All the required approvals are in place for the ongoing projects. The construction of phases 2 is under progress and booking status is about 30% under phase 2.

Established track record and consistently improvement in operating income- Total operating income of the company increased to Rs 120.74 Cr on provisional basis during FY17 as against Rs 118.13 Cr in FY16.

Low gearing and strong debt protection indicators - The liquidity position of the company has remained moderate. For FY17 (Provisional).The total debt to TNW ratio remains moderate at 1.70x as on March 31, 2017 as compared to 1.64x as on March 31, 2016.

Rating Weaknesses:

Project Off-take risk (Phase 2) -The phase -2 is under construction and is expected to be completed by March 2019. Thus timely completion of phase -2 without any cost and time over run is the major risk.

High collection risk – Company have very high dependency on customer advances for project funding which is over 90% for the phase 2 of the project.

Inherent risks associated with real estate industry - The real estate industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players.

Rating Outlook: Stable

BWR believes that **Assotech Realty Private Limited** 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:

Assotech Realty Private Limited (ARPL) is a Delhi NCR-based real estate developer. The company was incorporated as Sampada Realty Pvt. Ltd. in December 2002 and was later rechristened as ARPL in December 2003. The company has already executed and delivered more than 5 million sq.ft. of residential, commercial and serviced residences. Completed projects include Windsor Park Indirapuram, Cabana Serviced Residences Indirapuram, Springfields



Greater Noida, Uttar Pradesh. The Company is promoted by Mr. Neeraj Gulati and Mr. Umesh Nagpal. Both have combined shareholding of 27.49 % in the company.

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 total saleable area of approximately 19 lakh square feet. The project divided into 2 parts: Phases 1 and Phase-2. BWR also notes that entire Phase 1 of the project is completed and Phase 2 of project is expected to be completed by March 2019. Cost incurred in construction of phases 2 is around 15% and booking status was around 30 % as at the end of July 2017, as advised by the company.

Company Financial Performance

	ABS FY16	FY17 Prov.
Net Sales (Rs Cr.)	118.13	120.74
EBIDTA (Rs Cr.)	9.52	10.09
PAT (Rs Cr.)	6.79	7.16
Tangible Net worth (Rs Cr.)	56.85	63.79
Total Debt : TNW (Times)	1.64	1.70
Current Ration (Times)	1.74	1.61

Rating History for the last three years:

Sl. No.	Facility	Current Rating (January 2017)			Rating History		
		Type	Amount (Rs Cr)	Rating	Rating Assigned in 2016	Rating Assigned in 2015	Rating Assigned in 2014
1	Term Loan	Long Term	105.02	BWR BBB- Outlook: Stable	BWR BBB- Outlook: Stable	NA	NA
	Total		105.02	INR One Hundred Five Crores and Two Lakhs Only.			

Any other information: NA

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Service Sector](#)



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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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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