



RATING RATIONALE

21 Nov 2019

August Ventures Pvt Ltd

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹ 13.80 Crores of August Ventures Pvt Ltd

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2018)	Present
Fund based	30.24	13.80	Long Term	BWR BB Outlook: Stable	BWR BB Outlook: Stable
Total	30.24	13.80	Thirteen Crores and Eighty Lakhs Only		

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

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

The rating action factors in the company's modest scale of operations and an improvement in revenue and profits. The ratings continue to experience of their promoters and increase in network. However, the rating strengths are offset by their modest order book, an increase in their gearing and the highly competitive and fragmented nature of industry.

BWR believes that August Ventures 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 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.

KEY RATING DRIVERS

- **Credit Strengths:**

August Ventures Pvt Ltd was incorporated in the year 2002 as a private limited company and has a vintage of 17 years. The Company is promoted by Mr. Biju P. John a second generation



Entrepreneur. He is 45 years and has a Masters in Business Administration (MBA) from Manchester Business School in the UK. The company has previously completed 3 residential projects and 1 commercial project in Bangalore with a good occupancy rate. Operating income of the company increased from Rs. 7.59 Crs in FY17 to Rs. 15.29 Crs in FY18. The company has also reported a PAT of Rs. 0.71 Crs as against a reported loss of Rs. 2.68 Crs in FY18.

- **Credit Risks:**

Despite having a vintage of 17 years, the company has modest scale of operations. The total debt of the company increased from Rs. 36.34 Crs to Rs. 41.47 Crs in FY19 increasing their gearing ratio to 1.15 times from 1.02 times. Their long term borrowings alone have increased from Rs. 24.40 Crs to Rs. 37.47 Crs in FY19 even though most of it is on account of unsecured loans from directors and relatives. The company also faces risks inherent in the real estate sector as the industry is cyclical because of sharp movements in prices and a highly fragmented market structure.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of August Ventures Pvt Ltd. and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

- Increase order book position
- Increase scale of operations
- Timely completion of projects

Negative:

- Decline in revenue
- Increase gearing
- Delays in receivables and payables realization
- Delay in Project execution

LIQUIDITY POSITION

The company has a comfortable liquidity position, reflected in its current ratio at 2.91 times in FY18 and 8.59 times in FY19. Although, their borrowings have increased, it mostly comprises of unsecured loans



extended by directors and relatives which are not interest bearing and subordinated to the Bank facilities.. Net cash accruals/Total debt stood at 0.04 times in FY19. Cash and equivalents were reported at Rs. 2.09 Crs in FY18 and Rs. 0.20 Crs in FY19. Moderate ISCR at 2.23 times.

COMPANY PROFILE

August Ventures Private Limited was incorporated in the year 2002 and is promoted and managed by its Chairman cum Managing Director Mr. Biju P. John. The head office of the company is located on Campbell Road, opposite St. Philomena's Hospital, Bangalore. The company is into building premium quality residential living and commercial spaces (real estate) business in Bangalore. The company has completed 3 residential projects and 1 commercial space project in Bangalore. The residential projects are August Park, August Mansion and August Grand and the commercial projects completed include August Centre which is located in Yelahanka, bye-pass international airport road.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	15.29	7.59
EBITDA	₹ Cr	2.73	(1.26)
PAT	₹ Cr	0.71	(2.68)
Tangible Net worth	₹ Cr	36.19	35.48
Total Debt/Tangible Net worth	Times	1.15	1.02
Current Ratio	Times	8.59	2.91

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	10.11.18	23.02.17	31.12.16
Fund Based	Long Term	13.80	BWR BB Outlook: Stable	BWR BB Outlook: Stable	BWR BB Outlook: Stable	Rating Not Reviewed
Total		13.80	INR Thirteen Crores and Eighty Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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August Ventures Pvt Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
	The Federal Bank	Rent Securitization Loan	9.50	0.00	9.50
		Property Power Loan	1.00	0.00	1.00
	State Bank of India	Dropline O/D	3.30	0.00	3.30
TOTAL					13.80

Total Rupees Thirteen Crores and Eighty Lakhs only.

For print and digital media

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