

Rating Rationale

Brickwork Ratings reaffirms 'BWR BB' for the Bank Loan facilities (existing & proposed) aggregating ₹ 10.50 Cr of August Ventures Pvt. Ltd

Brickwork Ratings has *reaffirmed* the following **Rating¹** for August Ventures Private Limited's ("AVPL" or the "Company") Bank Loan facilities sanctioned by *The Federal Bank Ltd.*

Facility	Limits (₹ Cr)	Tenure	Rating
Over Draft	7.25	Long Term	BWR BB (BWR Double B) (Outlook: Stable)
Proposed Working Capital	3.25		
Total	10.50	INR Ten Crores & Fifty Lakhs only	

BWR has essentially relied upon the audited financial results of FY11, FY12, FY13, provisional financials of FY14, and projected financials of FY15 and FY16 of August Ventures Private Limited, publicly available information and information/clarification provided by the Company's management.

The rating, inter alia, factors the promoters experience in the residential real estate sector, locational strength of the projects under development and adequate equity position of the Company. However, the rating is constrained by the modest scale of operations, timely project execution risk as the projects are in the nascent stage, the Company's exposure to macro headwinds in the real estate sector such as subdued demand and intense competition. Further the Company also has to establish itself in the commercial real estate sector.

Background:

August Ventures Private Limited (AVPL or the 'Company') was incorporated in the year 2002 and is into residential estate business in Bangalore. The Company has recently ventured into the commercial space with its project at Yelahanka. The Company is promoted and professionally managed by its Chairman cum Managing Director Mr. Biju P. John. The other Director Mrs. Mereena Biju John is wife of the Chairman.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Majority of the shares ~99% is held by Mr. Biju P. John and the rest are held by his mother Mrs. Chachamma John. Mr. Biju P. John is a young professional with MBA in Finance from Manchester Business School, United Kingdom. He has experience in handling two real estate projects in a conservative manner.

The Company has been successful in two residential apartment projects in Bangalore namely “August Mansion” located at Curley Street, Richmond Town and “August Park” located at CV Raman Nagar. Aspiring to carry forward the success of its previous projects, the Company is currently developing “August Grand”, a high-end residential apartment project on a joint development model with a land owner at Sarjapur Road about 800 meters from Wipro Headquarters and “August Center”, a commercial building project at Yelahanka Bypass, International Airport Road, Bangalore. Further, the Company intends to take up residential apartment projects in Kothanur and Kyalasanahally; and Villas project in Samethanahalli in a phased manner.

August Grand, initiated in April, 2013 is 20% complete as of April, 2014 and is expected to be completed by August, 2016. The project is designed to house 64 apartments, with units ranging from 2034 sq. ft. to 4992 sq. ft., out of which 4 have been booked as of April, 2014.

The Commercial Project, *August Center* initiated in January, 2014 is 14% complete as of April, 2014 and is expected to be completed by March, 2015. The project offers 60,000 sq. ft. of commercial or retail space to be rented out.

Financial Performance:

The revenue from operations for FY13 is ₹ 25.67 Cr as against ₹ 48.79 Cr in FY12. As per provisional financial results, the net revenue from operations in FY14 is ₹ 10.83 Cr. The Company’s profitability is high with an operating profit margin of 40.24 per cent and net profit margin of 30.37 per cent in FY13. The net worth of the Company stands at ₹ 33.92 Crores as on 31st March, 2013 and the Company has low gearing with only unsecured loan from Directors of ₹ 0.65 Cr as on 31st March, 2013. The Company is availing Overdraft facility of ₹ 7.25 Cr since FY14 and proposes for additional facility of ₹ 3.25 Cr in the nature of working capital to meet any contingencies.

Rating Outlook:

The Company’s performance over the next year is expected to be stable. Going forward, timely execution of projects in hand without any time or cost overrun, ability to increase the volume of business operations and ability to achieve the projected cash flows thereby maintain the margins and timely meeting of debt obligations will remain the key rating sensitivities for the Company.

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