

Rating Rationale

Brickwork Ratings reaffirms 'BWR BBB-' for Avantha Realty Ltd.'s Bank Term Loan Facilities of ₹ 59 Cr (Outstanding ₹ 47.39 Cr)

Brickwork Ratings has *reaffirmed* the **Rating¹ 'BWR BBB-'** (BWR Triple B Minus) with **Stable Outlook** for Avantha Realty Ltd.'s (*ARL or "the Company"*) Bank Term Loan Facilities of ₹ 59 Cr (Outstanding ₹ 47.39 Cr as of Feb 2014) **with tenor up to six years.**

The rating has, inter alia, factored the Company's lease/rental income from the group Companies, value of its investments in to group Companies and the support it receives from the Avantha Groups. The rating is however constrained by the Company's dependence up on rental income and dividend income from the Group entities, contingent liabilities, and substantial investments in to Group Companies.

The proceeds of the term loan issue had been used for repayment of existing loans, construction related expenses and general corporate purposes.

ARL is the real estate arm of Avantha Group, was incorporated in 1981 in West Bengal in the name of Janpath Investment and Holdings Limited. In August 2009, the name of the Company was changed to Avantha Realty Limited (ARL). ARL is primarily engaged in the business of purchase, sale, ownership, development, improvement, leasing, exchange, hire or otherwise acquiring and / or disposing off lands and immovable properties of any tenure or interest and holding certain investments in group companies. Its investments into quoted and unquoted investments stood at ₹ 574 Cr in Jun'13 as compared to ₹ 372 Cr in Mar'12. Mr. Gautam Thapar, along with his six nominees is having 100% shareholding in ARL.

Avantha Group is one of the India's leading business conglomerates. The Group has business interests in diverse areas, including pulp and paper, power transmission and distribution equipment and services, food processing, farm forestry, chemicals, energy, infrastructure, information technology (IT) and IT-enabled services. With an impressive global footprint, the Group operates in more than 10 countries with 20,000 employees of 20 nationalities. Group companies include Crompton Greaves Limited, India's largest power equipment company, and Ballarpur Industries Limited (BILT), India's largest paper manufacturer, both listed on the Indian stock exchanges.

During FY13 (15 Months), the Net income from operation increased from ₹ 12.64 Cr in FY2012 (12 Months) to ₹ 21.08 Cr in FY13. Total income increased from ₹ 12.69 Cr in FY12 to ₹ 23.08 Cr which includes rental income of ₹ 15.00 Cr from owned properties in FY13.

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

EBIDTA has increased from negative ₹ 1.43 Cr in FY12 to ₹ 18.75 Cr in FY13 & PAT showed improvement from loss ₹ 12.48 Cr in FY12 to profit of ₹ 5.43 Cr in FY13. As of Feb 2014, the Company received ₹ 16.86 Cr in the form of rent from AHL, BILT & CGL against the repayment of ₹ 14.76 Cr for the year.

The Company had issued term loan with tenure of 6 years including moratorium of 6 months. The proceeds of the term loan issue had been used for repayment of existing loans, construction related expenses and general corporate purposes. The repayment shall be done in 66 EMIs from the aggregate monthly rentals of about ₹ 140.49 Lakhs received from Ballarpur Industries Ltd. (BILT), Avantha Holdings Ltd. (AHL) and Crompton Greaves Ltd. (CGL) against the repayment of ₹ 123 Lakhs per month. However, it has been clarified by the Company that the lease contracts with the group Companies of Avantha Group are perpetual in nature.

Avantha Realty Limited is the Real Estate arm of Avantha Group which is experienced and has demonstrated its ability to execute through various companies like BILT, Crompton Greaves etc. The given rating majorly factors factored the Company's substantial lease/rental income, land bank owned through its subsidiaries and the support it receives from the group Companies. The rating is however constrained by the Company's dependence up on rental income and dividend income from the Group entities, contingent liabilities, and substantial investments in to Group Companies.

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