

## RATING RATIONALE

27 Sep 2019

### Avantis Unitech LLP

## Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs.75Cr. of Avantis Unitech LLP (AULLP or the ‘Firm’)

### Particulars:

Facilities	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May,2018)	Present
Fund based Fund Based Working Capital (Proposed)	90.00	0.00	Long Term	BWR BB,Stable (BWR Double B)	BWR BB,Stable (BWR Double B) Reaffirmed
Term Loan	0.00	75.00		Not Rated	
<b>Total</b>	<b>90.00</b>	<b>75.00</b>	<b>Rs. Seventy Five Crores Only</b>		

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

\*\* Details of Bank Loan facilities is provided in Annexure-I&II

### RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the Ratings of BWR BB on bank loans of Avantis Unitech LLP with a Stable Outlook. The rating reaffirmation is based on the Firm achieving its financial closure, the progress on the project inline with the implementation schedule and bookings of the units generated. The rating also draws strength from the Firm being part of the Avantis Group which has over two decades experience in the real estate industry and the DSRA maintained with the Lender for instalments and interest, much before even the full disbursement of the term loan. The rating is however constrained by the Firm’s exposure to project execution risk since the project is still under construction, the slowdown in the real estate sector is visible and competition from the established players in the industry is strong in the area of operation, Surat. The rating also factors in the revision in the layout plan of the residential project that has reduced the built up area, its initial stage of the project and although bookings have been reported, sales are yet to be seen.



The “Stable” Outlook indicates a low likelihood of rating change over the near to medium term. Brickwork Ratings believes that the business profile of Avantis Unitech LLP will be maintained over the medium term. The rating outlook will be revised to Positive on successful completion of the project without any time or cost overrun and the Firm achieving breakeven. The rating outlook may be Downgraded on any delay in construction and the Firm not being able to sell the units which will impact the cash inflows. Any additional borrowing that will lead to deterioration in the gearing and debt protection metrics.

## **KEY RATING DRIVERS**

BWR principally relied upon audited financials upto FY18, Provisional financials of FY19, projections through FY20 to FY25, publicly available information and information/clarification provided by the management.

### **Credit Strengths:**

- **Financial Closure:** The Firm was able to tie up funds for the project in April 2019. It availed Term Loans of Rs.75.00 Crs and completed ~40% of the total work. The construction is on time and without any cost over run.
- **Sale of Units:** The Firm was able to get bookings of units and receive 30% of the total value of units booked. However, sales are yet to be recorded. The Firm plans to record sales from FY23 onwards.
- **Avantis Group:** The Firm belongs to the Avantis Group which has over two decades of experience in the real estate industry.
- **DSRA:** The Firm maintains a Debt Service Reserve Account with the lender with amount equivalent to 2 quarters installment & interest.

### **Credit Risks:**

- **Project Execution Risk:** Since the project is still under construction it is exposed to project execution risk
- **Real Estate Industry:** The Firm is exposed to the risk associated with real estate industry which is marked by slow and sluggish demand.
- **Competition:** The Firm will face competition from the established players in the industry.
- **Sales:** Although bookings have been reported, the Firm is yet to report sales.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Positive: Improved liquidity with improved cash inflows on increase in units booked  
Improvement in the debt protection metrics with improved profitability

Negative: Decline in liquidity due to decrease in the cash flows  
Deterioration in the debt protection metrics with improved profitability

## LIQUIDITY INDICATORS: Adequate

The Project is still under construction and is at an initial stage. The cash inflow is through the booking amount received after the registration of the unit. As on September 24, 2019, the Firm has reported cash inflow of Rs.3.69 Crs as booking amount against which total interest paid from April 2019 to August 2019 is ~Rs.1.00Crs. Repayment of term loan has not yet started.

## FIRM PROFILE

Avantis Unitech LLP was established on May 04, 2017 as a Limited Liability Partnership firm. The Firm belongs to the Avantis Group, which is engaged in activity of development and construction of housing projects, commercial complexes, societies, etc. The Firm has its registered office in Surat, Gujarat. It is developing a residential project named “Ofira Peak”, which is located at Vesu, Surat. As per the layout plan approved by the government authorities, the firm is now developing the project with 136 units named “Ofira Peak” with built up area of 235395.53 sq ft situated at Surat, Gujarat. The project is expected to be completed by June 2024. The project will have a total of 7 towers with 2 floor basement, Ground Floor plus 7-8 upper Floors with all the luxurious amenities viz swimming pool, tennis court, gym, sona bath, jacuzzi, allocated parking, digital surveillance, children play area & garden etc.

## KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY17	FY18
Result Type		Audited	Audited
Operating Income	Rs. in Crs	0.00	0.00
EBIDTA	Rs. in Crs	0.00	0.00
PAT	Rs. in Crs	0.00	0.00
Partner’s Capital	Rs. in Crs	0.00	15.66
Total Debt	Rs. in Crs	0.00	17.51
Total Debt:Equity	Times	0.00	1.12
Current Ratio	Times	0.00	1.90

**KEY COVENANTS OF THE FACILITY RATED-**

As per the terms and conditions of the Bank’s sanction-

- Avantis Unitech LLP is maintaining a Realtors Current account for receipt of 100% collections received from booking/selling of units.
- Avantis Unitech LLP is maintaining a Debt Service Reserve Account equivalent to 2 quarters installment & interest which was built up before full disbursement during moratorium period and before commencement of instalments in ESCROW account. Outstanding in the ESCROW is 3 months’ interest on the drawn outstanding at any point of time during the moratorium.
- Deviation & Penal : Adverse deviation ins respect of any two of the following three financial parameters arrived at based on audited financial statements each year from the estimated/ projected levels accepted at the time of sanction/ last review, will attract penal interest :

Parameter	Acceptable level
Interest Service Coverage Ratio	1.05x
Fixed Asset Coverage Ratio	1.26x
Debt/EBIDTA	12.69x

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:Not Applicable**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS**

Facilities	Current Rating			Rating History		
	Tenure	Amount (Rs.Crs.)	Rating	22, May, 2018	2017	2016
Fund Based	Long Term	75.00	BWR BB (BWR DoubleBB)	BWR BB (BWR Double BB) (for Rs. 90 Crs)	Not Rated	Not Rated
Total		75.00	(Rs. Seventy Five Crs.Only)			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

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Avantis Unitech LLP

### ANNEXURE I

#### Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	State Bank of India	Term Loans	75.00	0.00	75.00
<b>Total Rupees Seventy Five Crs. only</b>					75.00



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**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.

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