



Rating Rationale

Arihant Corporation

5 April 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 20.00 Crores of Arihant Corporation.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	20.00	Long Term	BWR BB [Pronounced as BWR Double B] (Outlook : Stable)
Total	20.00	INR Twenty Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial statements of FY-17 and publicly available information and information/clarifications as provided by the firm.

Rating draws comfort from experienced partners in the real estate development project business, long track record of operations, moderate net worth and all the statutory approvals as required in place.

The rating is however, constrained by large and established players, risk associated with project execution including time & cost overruns and overall subdued demand for real estate projects.

Going forward, the ability of the firm to execute project on schedule and achieve its expected commercial operation date along with maintaining sales momentum and mobilize the customer advances in a timely manner, generate adequate cash flows for servicing of its debt obligations and improve its overall credit profile would be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**



- **Partner's Experience:** The partners of the firm have an experience of more than a decade in the business of real estate. Also they enjoy a timely track record of execution of projects in the civil construction business.
- **Statutory Clearances:** Various statutory clearances such as permissions from Airport Authority, Non-Agricultural Agreement, Plan Sanctioned & Development & Environment Clearance has been obtained by the firm. The firm is currently under process to obtain its RERA registration number.
- **Credit Risks:**
 - **Inherent risks related to real estate:** Real estate is highly regulated and completion of the projects depend upon a number of internal as well as external factors amongst which the most common are cost and time overruns and customers defaults, as the project is dependent on customer advances for its project funding.
 - **Highly Competitive Industry:** The firm faces intense competition from other real estate developers in the region especially since the firm's projects are concentrated in and around Surat.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Arihant Corporation** 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 Firm

M/s. Arihant Corporation, was incorporated on 30th July 2016 as a Partnership Firm in Vesu, Surat. The firm belongs to 'Times Group', which is among the renowned groups of Surat city engaged in real estate industry. The promoters of the firm are engaged in the field of the construction activity for more than a decade. They have 4 completed and 3 ongoing projects of area aggregating 6.84 lacs Sq. ft. including Residential, commercial complexes, etc. in various prominent areas covering Vesu, Althan and Adajan in Surat city. The promoters are coming up with a new project of constructing residential complex "TIMES LUXURIA" at Vesu, Surat which is expected to 136 flats with a total built-up area of 3,44,542.10 sq.ft.

Project Details



The project known as “TIMES LUXURIA” is a residential complex which shall comprise of four towers i.e. A & B with 9 floors each & C & D with 8 floors each. The cost of project is Rs 70.99cr which is expected to be funded as Rs 29.55cr of promoter’s contribution, term loan of Rs 20.00cr and Rs 21.75cr of customer’s advance. The total cost incurred on the project till 28th February 2018 is Rs 34.66cr which has been funded by the promoter’s capital in tune of Rs 27.66cr and advances from customers worth Rs 7.00cr. The expected COD for the project is September - 2020

Firm’s Financial Performance

As per audited FY17 the firm has a tangible net worth of Rs 0.98crs. However, as on date, the firm has a tangible net worth of Rs 27.66cr as certified by their C.A.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	20.00	BWR BB (Outlook : Stable)	NA	NA	NA
	Total		20.00	₹ Twenty Crores Only			

Status of non-cooperation with previous CRA (if applicable) -NA

Any other information - NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

For any other criteria obtain hyperlinks from website



Analytical Contacts	Media
Bal Krishna Piparaiya CGM-Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.