



## Rating Rationale

### Coastalbay Construction Private Limited

30 Jan 2019

**Brickwork Ratings assigns BWR BB- for the proposed bank loan facilities of Rs. 23.10 Crore of Coastalbay Construction Private Limited ['CCPL' or 'the company'], Vijayawada, Andhra Pradesh**

#### Particulars

Facilities	Amount (Rs. Crs)	Tenure	Ratings*
Fund Based Proposed Term Loan	23.10	Long Term	<b>BWR BB-</b> <i>(Pronounced as BWR Double B Minus)</i> <b>Outlook: Stable</b>
<b>Total</b>	<b>Rs. 23.10 Crore (Rupees. Twenty Three Crore Ten Lakh Only)</b>		

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

#### Ratings Assigned

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the projected financials upto FY24, publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experience of the management in warehouse business as well as other businesses and Letter of Intents received (covering around 54% of the proposed warehouse facilities) from reputed companies, namely, Supermarket Grocery Supplies Private Limited [*BigBasket*], TTK Prestige Limited, Valvoline Cummins Private Limited, etc., for leasing of space. However, the rating strengths are partially offset by the nascent stage of business operations, exposure to risks related to timely completion of project including cost and time overrun, expected modest scale of operations and inherent risks associated with warehouse business.

Going forward, the company's ability to ensure financial tieup for the project as planned, implement the project within estimated costs and timeline, obtain requisite approvals & clearances from competent authorities, achieve the projected revenue and ensure timely renewal of lease contracts would be the key rating sensitivities.



## Key Rating drivers

### Credit Strengths:

- **Experienced Management:** The promoters are experienced in the warehousing business, as they are already operating a warehouse 'RAB Estates', which is leased to reputed entities, namely, Supermarket Grocery Supplies Private Limited, TTK Prestige Limited, Voltas Limited etc. Their experience is expected to support the business risk profile.
- **Letters of Intent:** CCPL has received Letters of Intent from reputed entities, namely, Supermarket Grocery Supplies Private Limited, TTK Prestige Limited and Valvoline Cummins Private Limited for leasing around 54% of the proposed warehouse facilities.

### Credit Constraints:

- **Exposure to risks related to implementation and stabilisation of the project:** The implementation of the project is expected to commence from February 2019. Operations are expected to commence from March 2020 only. Timely commencement and stabilization of the cash flows will be the key rating sensitivity factors.
- **Expected modest scale of operations in the initial phase:** Post commercial operations, revenue from FY21 is expected to be modest at around Rs 5.00 crores over medium term.
- **Exposure to risks relating to offtake, lack of an established brand name and intense competition:** Warehousing segment in India is highly fragmented and dominated by unorganised players. Intense competition may continue to restrict scalability and limit pricing power, thereby constraining profitability. The ability of the company to ensure lease contracts for the entire warehousing space and timely renewal of the contracts would be a key monitorable.

## Analytical Approach

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

### **Rating Outlook: Stable**

Brickwork Ratings believes that **Coastalbay Construction Private Limited** ('CCPL' or 'the company') 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' if the project is implemented in a timely manner without any significant cost overrun, leading to continuous accretion to reserves. The outlook may be revised to 'Negative' in case of any significant time or cost overrun in commissioning the project, decrease in projected revenue/profits, unanticipated delays in lease payments lead to cash flow mismatches, or occupancy reduces, adversely affecting debt servicing capability or there is additional debt funded capital expenditure which leads to stress on the financial risk profile of the company.



### About the Company

Coastalbay Construction Private Limited [*CCPL* or *the company*], a family owned business, was incorporated in 26<sup>th</sup> August 2016, by Ms. Naseemunnisa and Mr. Mohammed Shoaib, at Vijayawada, Krishna, Andhra Pradesh. CCPL proposes to set up warehousing facilities at Nunna Village, Vijayawada, Krishna, Andhra Pradesh with an estimated built-up area of around 2,40,000 Sq. Ft. CCPL has received Letter of Intents from Supermarket Grocery Supplies Private Limited [*Big Basket*], TTK Prestige Limited, Valvoline Cummins Private Limited for leasing area admeasuring 1,30,000 Sq. Ft. [*around 54%*]. The estimated cost of the project is Rs. 32.94 crore, expected to be funded in a Debt-Equity of 70:30 with promoters' contribution of Rs. 9.84 crore and proposed term loan of Rs. 23.10 crore. CCPL's promoters have purchased the land admeasuring to 11.62 acres located at Nunna village, Vijayawada, Krishna district, Andhra Pradesh. CCPL is in the process of obtaining requisite approvals and clearances. As CA certified expenditure schedule dated 18<sup>th</sup> January 2019, CCPL has incurred an expenditure of Rs. 3.93 crore

### Financial Performance

Commercial operations are yet to commence. As per current estimates, FY21 would be the first year of operations.

### Key Financial Indicators

Particulars		31 Mar 2017	31 Mar 2018
		<b>Audited</b>	<b>Audited</b>
Net Revenue	Rs. Cr	NA	NA
EBITDA	Rs. Cr	NA	NA
Profit After Tax	Rs. Cr	NA	NA
Partners' Capital	Rs. Cr	NA	NA
Total Debt : Partners' Capital	Times	NA	NA
Current Ratio	Times	NA	NA

**Rating History for the last three years**

Sl. No.	Facilities	Current Rating (2019)			Rating History		
		Type	Amount (Rs. Cr)	Ratings	2018	2017	2016
1	Proposed Term Loans	Long Term	23.10	<b>BWR BB-</b> <i>(Pronounced as BWR Double B Minus)</i> (Outlook: Stable) <i>Assigned</i>	-	-	-
<b>Total</b>			<b>Rs. 23.10 Crore (Rupees Twenty Three Crore Ten Lakh Only)</b>				

**Status of Non-Cooperation with other CRA: Not Applicable**

**Any other information: Not Applicable**

**Hyperlink/Reference to applicable Criteria**

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

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### **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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