Rating Rationale

# Global Properties

**22 Nov 2018**

## Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 47.00 Crores of Global Properties.

## Particulars

| Facility | Amount (₹ Crs) | Tenure | Rating* |
|---|---|---|---|
| Fund based | 47.00 | Long Term | BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable |
| Total | 47.00 | INR Forty Seven 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 essentially relied upon audited financial results up to FY18, projected cash flows for the project, publicly available information and information provided by the partners of the firm.

The ratings, inter alia, factors in partners experience in executing real estate projects, partner's ability to infuse funds as per the requirement, near completion stage of the project with 70% of the inventory being sold out as on June 2018. The ratings are constrained on account of risks pertaining to cash accruals upon project completion, risks pertaining to obtaining necessary approvals and overall subdued demand for commercial real estate projects.

Further, being a partnership firm, any capital withdrawal by the partners will have a bearing on the project completion, which would be a rating sensitivity.

### Description of Key Rating Drivers

- **Credit Strengths:**
- The project is located in heart of South Bhopal at Vidya Nagari Phase Hoshangabad Road, which is a developing area for Corporates & Retail Brands.
- The project is of G+7 floors out of which construction of G+5 floors has been completed and 6th & 7th floors are under construction.

- The project has 369 commercial units out of which 278 units have been sold out as of June 2018 which gives good revenue visibility.
- Project execution risk is minimum as the firm has sold 70% of the saleable carpet area and only two out of seven floors are to be constructed.

- **Credit Risks:**
- The remaining 77 units are to be sold at envisaged margins.
- The project is located at Bhopal and the firm has to put more efforts on marketing of the project.
- Any delays in obtaining further required approvals may delay the project.

## 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 **Global Properties** 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

Global Properties is a real estate firm promoted by directors Shri Arvind Agarwal and Shri Ayush Agarwal. It is mainly into construction and development of residential townships and malls.

## About the Project

The firm is currently constructing a commercial real estate project situated in the heart of South Bhopal at Vidhya Nagar Phase II, NH-12, Hoshangabad Road. The project is of G+7 floors out of which G+5 floors will have commercial units to be sold or leased out, 6th floor for multiplex, and the 7th floor will have two revolving restaurants. The project features 369 units of various sizes out of which 278 units have been sold out as on June 2018. Total saleable area of the project is 3,34,646 sqft out of which the firm has sold 2,33,909 sqft as on June 2018.

## Firm's Financial Performance

As per the audited financials of FY18, the firm achieved revenue of Rs. 17.45 Crores as compared to Rs. 37.37 Crores in FY17. PAT was at Rs. 1.05 Crores in FY18 as compared to Rs. 0.68 Crores in FY17. Partner's capital as on FY18 stood at Rs. 9.51 Crores as compared to Rs. 11.67 Crores in FY17.

## Rating History for the last three years

| S.No | Instrument /Facility | Current Rating (2018) | | | Rating History | | |
|---|---|---|---|---|---|---|---|
| | | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating | 2017 | 2016 | 2015 |
| | **Fund Based** | | | | | | |
| **1.** | **Term Loan** | Long Term | 32.80 | **BWR BB+ (Stable)** | - | - | - |
| **2.** | **Proposed Term Loan** | Long Term | 7.70 | **BWR BB+ (Stable)** | - | - | - |
| **3.** | **Lease Rental Loan** | Long Term | 6.50 | **BWR BB+ (Stable)** | - | - | - |
| | **Total** | | **47.00** | **₹ Forty Seven CroresOnly** | | | |

**Key Financial Indicators**

| Key Parameters | Units | 2018 | 2017 |
|---|---|---|---|
| **Result Type** | | **Audited** | **Audited** |
| Operating Revenue | ₹ Cr | 17.45 | 37.37 |
| EBITDA | ₹ Cr | 6.02 | 9.59 |
| PAT | ₹ Cr | 1.05 | 0.68 |
| Partner's Capital | ₹ Cr | 9.51 | 11.67 |
| Total Debt/Tangible Net worth | Times | 4.44 | 3.44 |
| Current Ratio | Times | 3.03 | 3.06 |

## Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios

- Real Estate Sector
- Short Term Debt

| Analytical Contacts | 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, 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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