



RATING RATIONALE

14 Mar 2020

Assotech Realty Pvt Ltd

Brickwork Ratings reaffirms the long term ratings for the Bank Loan Facilities of Rs.145 Crores of Assotech Realty Pvt Ltd.

Particulars:

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (11 Feb 2019)#	Present
Fund Based	132.00	145.00	Long Term	BWR BBB- Stable	BWR BBB- Stable (Reaffirmed)
Total	132.00	145.00	INR One Hundred Forty Five crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I
#Rating not reviewed advisory issued on 12 Feb 2020

RATING ACTION / OUTLOOK

Reaffirmation in the ratings of Assotech Realty Pvt Ltd. (ARPL or ‘the company’) factors in the satisfactory progress of Phase I & II of the project in which 92% of total saleable area of Phase I and 79% of total saleable area of Phase II are sold out, as against sale of 87% of Phase I and 63% of Phase II at the time of the previous rating review. Remaining 8% area under Phase 1 is retained by the company. The company has also entered into a lease contract with Genpact India for leasing out 8 floors of Tower 5 which is to be delivered before June 2020. The company expects completion of Tower 4, 5 and 6 under Phase II of the project by December 2020, as originally envisaged.

Outlook: Stable

BWR believes that Assotech Realty Pvt Ltd.'s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

CREDIT STRENGTHS

- **Experienced promoter:** Mr. Neeraj Gulati, a commerce graduate and CA, is the chief promoter of the company. He started in the mid 90s and completed Tradex Towers, the first commercial tower of Greater Noida, and thus has more than 25 years business experience in the real estate sector. Umesh Nagpal, another promoter of the company, started his career with the merchant navy. He has held top management posts in various reputed organisations.
- **Established track record of operations:** The company has already executed and delivered more than 6 million sq. ft of residential, commercial and service apartments. Completed projects include Windsor Park Indirapuram, Cabana Serviced Residences Indirapuram, Springfields Greater Noida and Assotech Business Cresterra Phase 1 Noida.

CREDIT CONCERNS:

- **Project Off-take risk (Phase -2):** Phase II is under progress and is expected to be completed by July 2020. The lenders have fixed DCCO as of Dec 2020. Thus timely completion of Phase II of the project without any cost and time overrun is the major rating sensitivity.
- **High reliance on customer advances** - The company heavily relies on customer advances and booking mobilisations for completion of the project. Of total project cost of Rs.363 crs, booking advances and loans from FIs are proposed at 79% and 21% respectively.
- **Other inherent risks associated with Real Estate projects-** Real Estate is highly regulated and completion of the project depends upon a number of internal and external factors amongst which the most common are cost and time overruns and customer defaults, as the project is highly dependent on customer advances for its project funding.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Rating is sensitive to adequacy of cash flows given company expects to meet the project related and other financial expenses from sale of unsold units and realisation of receivables from sold units. In the light of slowdown in the economy in general and real estate in particular, any difficulty in generating net cash would result in adverse liquidity situation in the company and attract adverse rating action.

LIQUIDITY POSITION : Adequate

For Phase 1 of the project, collection from sales of residual space and realisation of receivables is the dominant source of cash flows that is expected to be generated till Q4 FY20 and would be utilised for payment of assured return liabilities, interest costs on borrowings and other contingencies. For Phase II, as against total project cost of Rs.363 crs, almost 60% has been undertaken. Almost 79% of the project cost is proposed to be met by bookings advances and rest 21% is to be met by bank borrowings. Cost of



Rs.32 crs towards land development is already undertaken. Realisation of receivables and sales of unsold areas is the dominant source of cash flows that is proposed to be utilised towards construction expenses, assured return liabilities and interest cost on borrowings. The company expects to meet any cash flow mismatch during progress of Phase II through undrawn loan amount of Rs.21 crs, realisation proceeds from sale of company owned land, which is located in Ahmednagar district of Maharashtra and revenue streams from serviced apartments in Sandal Suites that are operated under agreement with Lemon Tree Hotel.

COMPANY PROFILE

Assotech Realty Pvt Ltd (ARPL) is a Delhi based real estate developer. The company was incorporated as Sampada Realty Pvt Ltd. in December 2002 and was later renamed as ARPL in December 2003. The company has already executed and delivered more than 6 million sq. ft of residential, commercial and service apartments. Completed projects include Windsor Park Indirapuram, Cabana Serviced Residences Indirapuram, Springfields Greater Noida, Assotech Business Cresterra Phase 1 Noida. The company is promoted by Neeraj Gulati and Umesh Nagpal. Both have combined shareholding of 27.59% as on 31st March 2019 in the company. Salil Kumar is the other director in the company.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2018(Aud)	2019(Aud)
Operating Revenue	Rs. crs	112.04	133.00
EBITDA	Rs. crs	11.98	11.13
PAT	Rs. crs	3.59	2.77
Tangible Net worth (Analysed)*	Rs. crs	29.54	27.76
TOL/TNW (Analysed)	Times	8.82	7.45
Current Ratio	Times	1.35	1.64

*50% of Long Term Unsecured loans and 50% of short term unsecured loans have been added to Tangible Net Worth and 100% of Investment in Subsidiaries/associates (Non current assets), 100% of Long Term loans and advances, 100% of Other Investments to group companies (Other Non Current Assets) and 100% of short term loans to related parties have been deducted from Tangible Net Worth while arriving at Analysed TNW.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NIL

RATING HISTORY (Including withdrawn and suspended)

Instrument /Facility	Current Year (2020)			Rating History								
Bank Loan	12 Feb 2020 Rating not Reviewed advisory issued			11 Feb 2019			26 Dec 2018		25 Sept 2017			
	Current Rating											
	FB	145.00	BWR BBB-Stable	FB	Rs.132 crs	BWR BBB-Stable	Rating Not Reviewed advisory issued			FB	Rs.10 5.02 crs	BWR BBB-Stable

ANNEXURE I

Assotech Realty Pvt Ltd Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)	Short Term {(₹ Cr)	Total (₹ Cr)
1	Tourism Finance Corporation of India Ltd., New Delhi	Term Loan	57.00	NIL	57.00
2		Term Loan	15.00	NIL	15.00
3	IndusInd Bank Ltd., New Delhi	Term Loan	73.00	NIL	73.00
TOTAL			145.00	NIL	145.00

Total Rupees One Hundred Forty Five crores only.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)



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