

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the Bank Credit Facilities of ₹ 8.00 Cr of Aatreyee Nirman Pvt. Ltd.

Brickwork Ratings has assigned the following **Rating¹** to the Bank Loan Facilities of ₹ 8.00 Cr of Aatreyee Nirman Pvt. Ltd. (ANPL or the 'Company') sanctioned by State Bank of India.

Facility	Total (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit	8.00	Long Term	BWR BB (BWR Double B) Outlook: Stable
TOTAL	8.00	INR Eight Crores only	

BWR has principally relied upon audited financial statements from FY10 to FY13 of ANPL, publicly available information & information/clarification provided by the management.

The rating has factored, inter alia, the successful completion of two of its projects & the ongoing execution of five projects. The rating strengths are partially offset by the relative newness of the Company in the real estate field, susceptibility to risks inherent to the development of real estate segment, & exposure to cyclicity in the Indian real estate industry, geographical concentration in ANPL's revenue profile & below-average financial risk profile.

Background:

Aatreyee Nirman Pvt Ltd was incorporated in May 2007 with its registered office in Kolkata, West Bengal. The Company undertakes development of residential real estate projects in Kolkata. It has successfully completed two projects with a total saleable area of ~93000 sq ft. The ongoing projects totaling over 2 lakh sq ft are expected to be complete from December 2013 to March 2015. The Company mostly purchases land bank outright for development of residential complexes. Occasionally, it enters into a Joint Venture with the land owner; usually in 60:40 ratio with 60% flats sold by the Company. The Company does not undertake construction activity & it is awarded to the lowest bidder through a tender process.

Financial Performance:

ANPL's Operating Income for FY13 stood at Rs. 14.81 Cr as compared to Rs. 12.21 Cr in FY12 and Rs. 5.23 Cr in FY11. But Net Profit remained low at Rs. 0.17 Cr in FY13 (Rs. 0.18 Cr in FY12 and Rs. 0.02 Cr in FY11). Secured Long Term Borrowings stood at Rs. 7.97 Cr in FY13 (including HUDCO loan outstanding of Rs. 2.16 Cr). Tangible Net Worth continued to remain modest – Rs. 3.75 Cr in FY12 and Rs. 5.08 in FY13.

¹ Please refer to www.brickworkratings.com for definition of the Rating

Credit Risk Assessment

India's real estate sector is marked by cyclicity, volatile prices, opaque transactions and intense fragmentation because of the presence of a large number of regional players. The real estate market has seen a reversal in investor sentiment over the past year, which has adversely impacted sales. Although real estate prices have increased, demand has been sluggish, a fact that is likely to impact the revenues of ANPL.

The Company is susceptible to risks pertaining to the real estate sector such as long gestation period of projects, execution risks, regulatory risks, off-take risk and liquidity risk. Factors like cost overrun, delay in obtaining necessary approvals, lesser than expected customer interest, etc, could affect the realizations and profitability of its projects, besides impinging on the Company's credit risk profile.

Apart from the above mentioned macro-economic factors, the company's credit risk profile is expected to be driven by the level of economic activity and the outlook for the real estate sector in and around Kolkata, WB.

Rating Outlook:

Due to depressed real estate scenario, the company's ability to tie-up sufficient customer advances will be crucial for growth. The recent meltdown in the financial markets and constrained liquidity conditions are likely to impact demand for commercial and residential real estate in India. While the Company's performance is expected to be stable, its ability to execute projects in a timely manner and maintain the sales momentum with cash accruals despite the on-going slowdown in the real estate industry would be the rating sensitivities.

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