

Rating Report

Brickwork Ratings reaffirms the long term rating of “BWR BB+ (Outlook: Stable)” for enhanced long term Bank Loan Facilities of ` 60.00 Cr of M/s Aditya Constructions (“AC” or “the Firm”).

Brickwork Ratings (BWR) has reaffirmed **Rating¹** of BWR BB+ (Pronounced BWR double B plus) for the enhanced long term bank loan facilities of ` 60.00 Crores of M/s Aditya Constructions (AC or the Firm)¹.

Facility	Present Limits (` Crs)	Previous Limits (` Crs)	Tenure	Rating History	Reaffirmed/ Assigned Rating
Fund Based (FB)					
Term Loan	37.50	60.00	Long Term	BWR BB+ (Pronounced BWR Double B plus) (Outlook -Stable)	BWR BB+ (Pronounced BWR Double B plus) (Outlook -Stable)
Total Limits	` 60.00 (INR Sixty Crores Only)				

BWR has principally relied upon the audited financial results up to FY 14, projections upto FY16, publicly available information and information/clarification provided by the Company’s management.

The rating continues to take comfort from experienced partners, strategic location of the project displaying healthy sales velocity for the project, satisfactory cash flow position, modest booking status of the project, healthy operating profitability expected to be generated with completion of the Project. The rating is however constrained by cash flow susceptible to slow sales of the project due to headwinds being faced by the real estate industry. The rating is further constrained by withdrawal of capital by erstwhile partners.

Background

Aditya Construction was formed in April 2011 construct residential and commercial projects in Ahmedabad. The current partners of the firm are Mr. Nilesh Kumar Patel, Mr. Manish Shah, Mr. Sameer Maheshwari and True Value Nirman Pvt. Ltd. The Firm has started the business with execution of Commercial project “Westgate” in Ahmedabad. The partners of the firm, Mr. Nileshkumar S Patel, Mr. Manish D Shah and Mr. Sameer B Maheshwari have a very vast experience in the field of Construction and Developers. Previously they were working in their individual capacity with other partnership firms.

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

Project Details

The present project of the firm “Westgate” is to construct and develop 2 blocks having 4 corporate houses and 233 Commercial offices. It would include a 23 storey building and 4 corporate houses. The project is situated on "S.G. Road" which connects the city of Ahmedabad with Gandhinagar. The architect of the project Westgate is ADS Architect Pvt Ltd, Ahmedabad and marketing Agents are M/s Space Management Ltd. The Project plan has been approved by the Ahmedabad Municipal Corporation (AMC). The total saleable area of the project is 375105 Sq. Ft. Almost 52% of the project has been booked and the project is expected to be completed by July 2016.

Financial Performance

Aditya Construction follows the Project Completion Method (PCM) for revenue recognition. Here revenue recognition commences after risk and reward is transferred to the buyer. As Westgate is expected to be complete by July 2016, revenues are expected to be spread between 2016 and 2018. The Company has projected operating margin of 54% in FY 16 post completion of the project commanding better pricing on account of being located in the prime commercial location at Ahmedabad.

Gearing of the Firm increased from 0.15 time in FY13 to 1.52 times in FY14, on account of increase in debt and reduction in equity.

The financial details are in the annexures I, & II.

Rating Outlook

The key rating sensitivities will be the ability of the firm to execute the project on time and maintaining the sales momentum with cash accruals, sustaining its moderate capital structure and securing adequate working capital finances to support its construction cost.

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Annexures: Key financials for the Company are as per the tables below:

Annex I: Balance sheet

\ Crores

Crores	31-Mar-2012	31-Mar-2013	31-Mar-2014
Liabilities			
EQUITY AND RESERVES	11.56	17.35	17.17
Share capital	11.56	17.35	16.90
Reserves and Surplus	0.00	0.00	0.27
Non-current liabilities	5.83	2.62	26.15
Long-Term Borrowings	5.83	2.62	26.15
Current liabilities	0.11	0.40	7.34
Trade Payables	0.11	0.24	1.98
Other Current Liabilities	0.00	0.15	5.36
Total Liabilities	17.50	20.37	50.66
ASSETS			
Non-current assets	0.00	0.00	1.72
Net Fixed assets	0.00	0.00	1.72
Current assets	17.50	20.37	48.94
Current Investments	0.00	0.00	0.00
Inventories	0.00	20.19	46.14
Trade Receivables < Six Months	0.00	0.00	0.02
Cash and Cash Equivalents	0.00	0.15	1.96
Short-Term Loans and Advances	17.50	0.02	0.15
Other Current Assets	0.00	0.00	0.68
Total Assets	17.50	20.37	50.66

Annex II: Income Statement

` Crores

Crores	31-Mar-2012	31-Mar-2013	31-Mar-2014
Result Type	Audited	Audited	Audited
Gross Sales	0.00	0.00	4.73
Net Sales	0.00	0.00	4.73
Other Operating Income	0.00	0.00	0.00
Total Operating Income	0.00	0.00	4.73
Raw Material Consumed	0.00	0.00	0.00
Change In Inventory (Increase)/Decrease	0.00	-2.69	-25.95
Manufacturing Expenses	0.00	2.69	29.84
Cost of Goods Sold	0.00	0.00	3.89
Selling, General and other Administrative expenses	0.00	0.00	0.44
Operating Expenses	0.00	0.00	4.33
OPBDIT	0.00	0.00	0.41
Depreciation/Amortization/Impairment	0.00	0.00	0.14
OPBIT	0.00	0.00	0.27
Interest and Finance Charges	0.00	0.00	0.00
OPBT	0.00	0.00	0.27
Non Operating Income(Expenses)	0.00	0.00	0.00
PBT	0.00	0.00	0.27
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	0.00
Provision for Taxes	0.00	0.00	0.00
PAT	0.00	0.00	0.27