

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the proposed Bank Credit Facilities aggregating ₹ 10.50 Cr of August Ventures Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following Rating¹ for the proposed Bank Credit Facilities of ₹ 10.50 Cr.

Facility	Limits (₹ Cr)	Tenure	Rating
Working Capital Facility (Proposed)	10.50	Long Term (FB)	BWR BB (Pronounced as BWR Double B) (Outlook-Stable)
Total	10.50	INR Ten Crores Fifty Lakhs only	

The rating, inter alia, factors the prospective location of the project, qualified management and strong equity position of the company. The rating is, however, constrained by timely project execution risk resulting from delays in government approvals and also exposure to macro headwinds in the real estate sector such as subdued demand which might affect the sales of the project.

Background:

August Ventures Private Limited was incorporated in the year 2002 and is into residential real estate business in Bangalore. The company is promoted and well managed by its Chairman cum Managing Director Mr. Biju P. John. The other director for the company is Smt. Chachamma John. Majority of the shares of the company are held by Mr. John. Mr. John is a young professional with an MBA (Finance) from Manchester Business School, UK. He has more than a decade of experience in coffee plantation, professional experience at Rallis India Ltd and real estate development. He has experience in handling 2 real estate projects in a conservative manner. As on date, the company has completed two residential complexes in Bangalore namely August Mansion located at Curley Street, Richmond Town and August Park located at CV Raman Nagar.

Aspiring to carry forward the success of its previous projects, the company is currently launching a high-end residential apartment project on a joint development model with a land owner at Sarjapur Road about 800 meters from Wipro Headquarters. Once the upcoming

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

project on Sarjapur Road is substantially completed, the company intends to take up residential apartment projects in Kothanur & Kyalasanahally and Villas project in Samethanahalli in a phased manner. The upcoming project on Sarjapur Road is designed to house 64 apartments and is proposed to be started in April 2013 and completed by August 2016.

Industry Overview:

Residential real estate sector in India is expected to stabilize in the year 2013 amidst weak demand drivers. Economic slowdown, high inflation and high interest rates which reduce affordability, coupled with high property prices are hindering improvement in demand. However, well designed small projects continue to attract buyers.

Financial Performance:

During FY12, the net sales increased to ₹ 48.79 Crores from ₹ 25.77 Crores in FY11. The company's profitability is high with an operating profit margin of 50.12 per cent and net profit margin of 34.10 per cent for FY12. As of FY12, the company's tangible net-worth was ₹ 26.12 Crores and it did not have any external borrowings except unsecured loan from directors and hence the interest and finance charges of the company is nil for FY12. Debt equity ratio is low with 0.07 times in FY11 and FY12 indicating a strong equity position. Current ratio has increased from 1.28 times in FY 11 to 4.43 times in FY 12.

Rating Outlook:

August Ventures Pvt Ltd has a strong equity position and is backed by high net-worth conservative promoters. The company has completed two residential apartment projects in Bangalore and their upcoming project is also at a prospective location in Bangalore where the real estate market is on the rise. However, the real estate sector in general is still facing subdued demand due to the economic slowdown which might impact the sales of the upcoming project. Going forward timely execution of upcoming project, ability to increase the volume of business operations, prudent management of debt liability in the medium term and ability to achieve projected cash flow and maintain the margins remain key rating sensitivities for the company.

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