

Press Release

Anant Raj Limited (ARL)

March 05, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 1185.00 Cr.
Long Term Rating	SMERA BBB+/ Outlook: Positive

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) on the Rs. 1185.00 crore bank facilities of ANANT RAJ LIMITED (ARL). The outlook is '**Positive**'.

Anant Raj Limited (ARL) was incorporated in 1985 and was listed in 1989. The company started as 'Anant Raj Agencies Private Limited' and initially worked as a contractor for the Delhi Development Authority. Later, in 1985, the company entered into manufacturing ceramic tiles under the name 'Anant Raj Industries Private Limited'.

In 2003, the company entered Real Estate Development with the name 'Anant Raj Industries Limited' which got changed to 'Anant Raj Limited' in 2012. ARL is engaged into development of both commercial as well as residential projects with its footprint spread across Delhi, NCR, Rajasthan and Haryana.

Key rating drivers

Strengths

Experienced management and established position in the real estate sector

The founder promoter and Chairman of ARL, Mr. Ashok Sarin, has an experience of over four decades in the field of construction and real estate development. Mr. Ashok Sarin is well supported by Mr. Anil Sarin, Managing Director who has experience of over three decades in the development and construction business and Mr. Amit Sarin, Director and CEO who has expertise in development of I.T. Parks/ SEZs, Commercial, and Hospitality business.

ARL is one of the leading Construction and Infrastructure developers in North India with a major presence in NCR region, Delhi, Haryana, and Rajasthan. It has already delivered more than 200 lakh square feet (lsf) of residential and commercial projects in Delhi / NCR and with diversified set of projects portfolio under its arm which includes various commercial projects such as IT Parks, Hotels, Malls as well as residential projects catering to all segments from affordable housing to premium segment.

ARL, backed by its demonstrated track record in the real estate sector has demonstrated the ability to attract the marquee investors like Government of Singapore, SI Investment and Broking Private Limited, Polunin Emerging Markets Small Cap Funds among others.

Availability of large developable land banks

ARL, directly and indirectly through its subsidiaries and group companies has total land bank of ~1050 acres largely acquired in Delhi, NCR and Haryana, particularly in prominent locations. Out of the total land, ~310 acres is already allocated for upcoming projects having current market value of ~Rs. 5,500.00 crore and around ~470 acres of land which is fully paid by the company having market value of ~Rs. 1,800.00 crore as per the management is still lying vacant.

Weaknesses

Significant refinancing requirement

ARL's gearing stood at 0.40 times as on 31 March 2017 as against 0.36 times as on 31 March 2016. The total debt of Rs. 1700.73 crore consists of term loans of Rs. 1504.14 crore and working capital borrowings of Rs. 147.72 crore as on 31 March 2017. The debt obligation in the short term stood high at Rs. 327.57 crore.

The subdued market scenario in the real estate sector in Delhi NCR region in past two years has affected the cash flows from the existing projects leading to higher dependence on the refinancing of the external bank debt. Improvement in the demand scenario resulting into healthy cash flows from the projects thus will remain key rating sensitivity.

Susceptibility of the cash flows to the dynamics of the real estate sector in the Delhi NCR region

The real estate segment in North India especially in the Delhi NCR region witnessed slowdown due to demonetisation and the GST implication. The industry is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. The risks associated with real estate industry are – cyclical nature of business (drop in property prices), interest rate risk etc. can affect the operations of the company.

Analytical approach:

SMERA has considered the consolidated business and financial risk profiles of Anant Raj Limited (ARL) its subsidiaries and associates referred to as Anant Raj Group. The consolidation is mainly on account of strong operational & financial synergies and common management.

Outlook – Positive

SMERA believes that ARL is likely to benefit from expected increase in the demand for the affordable housing projects and from the existing projects. The rating can be upgraded if the company achieves significant higher than expected collections from customer advances which will reduce its dependence on the refinancing of debt. Conversely, the outlook may be revised to stable in case of continued dependence on refinancing.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	465.95	431.34	484.08
EBITDA	Rs. Cr.	138.98	134.78	250.83
PAT	Rs. Cr.	85.01	81.78	161.39
EBITDA Margin	(%)	29.83	31.25	51.81

PAT Margin	(%)	18.24	18.96	33.34
ROCE	(%)	2.76	2.74	9.31
Total Debt/Tangible Net Worth	Times	0.40	0.36	0.32
PBDIT/Interest	Times	3.18	3.58	4.73
Total Debt/PBDIT	Times	10.15	9.24	5.07
Gross Current Assets (Days)	Days	2,286	2,171	1,767

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	12.59	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	20.16	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	38.71	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	26.43	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	36.40	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	26.52	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	65.41	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	165.83	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	49.91	SMERA BBB+/Positive

Term loans	Not Applicable	Not Applicable	Not Applicable	39.63	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	43.75	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	95.00	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	95.00	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	125.00	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	175.00	SMERA BBB+/Positive
Term loans	Not Applicable	Not Applicable	Not Applicable	10.74	SMERA BBB+/Positive
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	98.92	SMERA BBB+/Positive

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ABOUT SMERA

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