

Press Release

Anant Raj Limited

March 28, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 1185.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Negative (Downgraded from ACUITE BBB+/Positive)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BBB+**' (**read as ACUITE triple B plus**) to the Rs. 1185.00 crore bank facilities of Anant Raj Limited (ARL). The outlook is revised to '**Negative**' from '**Positive**'.

The downgrade in the rating is on account of continued sluggishness in cash flows from its key project Anant Raj Estate sector 63A vis-a-vis upcoming significant obligations. Hence, the company will be exposed to major refinancing risk in a challenging environment for NBFC's and more specifically for the real estate sector.

ARL, the flagship company of Anant Raj Group, was incorporated in 1985 and started manufacturing of ceramic tiles later in 1985 and subsequently got listed in 1989. Later, the company also operated as a contractor for the Delhi Development Authority.

In 2003, the company entered into Real Estate Development as 'Anant Raj Limited'. The company gradually acquired land parcels and currently has approximately 1050 acres in the Delhi, NCR and Haryana.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Anant Raj Limited (ARL) along with its subsidiaries and associates together referred to as Anant Raj Group (ARG) to arrive at this rating. While arriving at the rating, team has also factored the proposed demerger of the project division which will be transferred to Anant Raj Global Limited (ARGL, currently a 100% subsidiary of ARL). Extent of Consolidation: Full.

Following is the list of subsidiaries and associates that have been considered for consolidation:

Sr.	Name of the company
1	Aakashganga Realty Pvt. Ltd.
2	Advance Buildcon Pvt. Ltd.
3	Anant Raj Cons. & Development Pvt. Ltd.
4	Anant Raj Estate Management Services Ltd.
5	Anant Raj Global Limited
6	Anant Raj Hotels Ltd.
7	Anant Raj Housing Ltd.
8	Anant Raj Infrastructure Pvt. Ltd.
9	Anant Raj Projects Ltd.
10	AR Login 4 Edu Pvt. Ltd.
11	Artistaan Private Limited
12	Ankur Buildcon Pvt. Ltd.
13	A-Plus Estates Pvt. Ltd.
14	BBB Realty Pvt. Ltd.
15	Blossom Buildtech Pvt. Ltd.
16	Bolt Properties Pvt. Ltd.
17	Capital Buildcon Pvt. Ltd.

18	Capital Buildtech Pvt. Ltd.
19	Carnation Buildtech Pvt. Ltd.
20	Century Promoters Pvt. Ltd.
21	Echo Buildtech Pvt. Ltd.
22	Echo Properties Pvt. Ltd.
23	Elegant Buildcon Pvt. Ltd.
24	Fabulous Builders Pvt. Ltd.
25	Four Construction Pvt. Ltd.
26	Elegant Estates Pvt Ltd.
27	Elevator Buildtech Pvt. Ltd.
28	Elevator Promoters Pvt. Ltd.
29	Elevator Properties Pvt. Ltd.
30	Empire Promoters Pvt. Ltd.
31	Excellent Inframart Pvt. Ltd.
32	Gadget Builders Pvt. Ltd.
33	Gagan Buildtech Pvt. Ltd.
34	Glaze Properties Pvt. Ltd.
35	Greatways Buildtech Pvt. Ltd.
36	Green Retreat and Motels Pvt. Ltd.
37	Green Valley Builders Pvt. Ltd.
38	Green View Buildwell Pvt. Ltd.
39	Green Way Promoters Pvt. Ltd.
40	Greenline Buildcon Pvt. Ltd.
41	Greenline Promoters Pvt. Ltd.
42	Greenwood Properties Pvt. Ltd.
43	Gujarat Anant Raj Vidhyanganar Ltd.
44	Goodluck Buildtech Pvt. Ltd.
45	Grand Buildtech Pvt. Ltd.
46	Grand Park Estates Pvt. Ltd.
47	GrandPark Buildtech Pvt. Ltd.
48	Grandstar Realty Pvt. Ltd.
49	Hamara Realty Pvt. Ltd.
50	Hemkunt Promoters Pvt. Ltd.
51	High Land Meadows Pvt. Ltd.
52	Jasmine Buildwell Pvt. Ltd.
53	Jubilant Software Services Pvt. Ltd.
54	Kalinga Buildtech Pvt. Ltd.
55	Kalinga Realtors Pvt. Ltd.
56	Krishna Buildtech Pvt. Ltd.
57	Monarch Buildtech Pvt. Ltd.
58	North South Properties Pvt. Ltd.
59	Novel Buildmart Pvt. Ltd.
60	Novel Housing Pvt. Ltd.
61	Oriental Meadows Ltd.
62	Oriental Promoters Pvt. Ltd.
63	Papillion Buildtech Pvt. Ltd.
64	Papillon Buildcon Pvt. Ltd.
65	Park Land Construction & Equipment Pvt.

	Ltd.
66	Park Land Developers Pvt Ltd.
67	Park View Promoters Pvt Ltd.
68	Pasupati Aluminium Ltd.
69	Pelikan Estates Pvt. Ltd.
70	Pioneer Promoters Pvt. Ltd.
71	Rapid Realtors Pvt. Ltd.
72	Redsea Realty Pvt. Ltd.
73	Rising Realty Pvt. Ltd.
74	Rolling Construction Pvt. Ltd.
75	Romano Estates Pvt. Ltd.
76	Romano Estate Management Services Ltd.
77	Romano Infrastructure Pvt. Ltd.
78	Romano Projects Pvt. Ltd.
79	Rose Realty Pvt. Ltd.
80	Roseview Buildtech Pvt. Ltd.
81	Roseview Properties Pvt. Ltd.
82	Saiguru Buildmart Pvt. Ltd.
83	Sand Storm Buildtech Pvt. Ltd.
84	Sartaj Developers & Promoters Pvt. Ltd.
85	Sovereign Buildwell Pvt. Ltd.
86	Spring View Developers Pvt. Ltd.
87	Springview Properties Pvt. Ltd.
88	Suburban Farms Pvt. Ltd.
89	Three Star Realty Pvt. Ltd.
90	Townsend Construction & Equipment Pvt. Ltd.
91	Tumhare Liye Realty Pvt. Ltd.
92	Twenty First Developers Pvt. Ltd.
93	Vibrant Buildmart Pvt. Ltd.
94	West Land Buildcon Pvt. Ltd.
95	Woodland Promoters Pvt. Ltd.
96	Anant Raj Property Management Pvt. Ltd.
97	Roseland Buildtech Pvt. Ltd.
98	E2E Solutions Pvt. Ltd.
99	Demeurer Developers Pvt. Ltd.
100	Vishwas Marketing Services Pvt. Ltd.
101	Oriental Buildtech Pvt. Ltd.

Proposed demerger of project division from Anant Raj Limited(ARL) to Anant Raj Global Limited(ARGL)

Project division from ARL is proposed to be demerged into a distinct entity ARGL (currently, a wholly owned subsidiary) which will be subsequently listed on stock exchanges. The project division which constitutes 3 projects namely - Maceo, Madelia and a commercial project in sector 63A. Madelia is project is around 70 per cent completed and currently there is no significant development. Maceo project is almost completed and commercial project in sector 63A has not yet commenced. Out of total debt of around Rs.2300 crore, Rs.1000 crore debt approximately will be transferred to ARGL. Majority of rent generating properties will remain in ARL. Land banks will be divided among both ARL & ARGL.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations in the real estate segment**

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. 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 majorly in NCR region, Delhi, Haryana, and Rajasthan. It has already delivered more than 200 lakh square feet 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 such as premium, ultra-premium and affordable housing where the company expects huge demand potential over medium term.

- Availability of large developable land banks**

ARL has total land bank of approximately ~1,050 acres largely acquired in Delhi, NCR and Haryana, particularly in prominent locations such as NH-8, Najafgarh, Kapashera in Delhi, Manesar and Sector 63A- Gurgaon which were acquired at very low cost.

Currently, Anant Raj Estate Sector 63 A which consists of residential projects (admeasuring approximately 26,00,000 sq. ft.) like Independent Floors, Villas and Plots is 79% completed. Commercial project in sector 63A has recently commenced in joint development with AIPL (Advance India Projects Limited).

The company is also in discussions for introducing a JV partner for its group housing project in sector 63A admeasuring 26,80,000 sq. ft.

Further, ARL has recently launched affordable housing scheme admeasuring 12,77,000 sq. ft. approximately in Chittoor, Tirupati, Andhra Pradesh is expected to be completed in FY2023.

Weaknesses

- Subdued traction in ongoing projects**

Currently, ARL has three major ongoing residential projects in Anant Raj Estate – Independent floors, Villas and Plots. Overall, ARL's sales growth rate has declined. Overall sales in Anant Raj Estate Sector 63 A (Independent Floor, Villas and Plots) have grown by just 13% which is significantly less than anticipated. Sales in Anant Raj Estate Plots have grown by 18% indicating high demand whereas Independent floor and Villas sales have grown marginally by just 7% and 5% respectively thereby limiting cash inflows from the project.

Outlook for real estate demand in markets like Gurgaon remains subdued on account of inventory overhang because of sluggish demand from end users. The large NBFC's who have been the major lenders to real estate developers, have their own liquidity challenges on account of funding issues, which has led to troubles for real estate developers.

Acuité believes that the ability of the company to generate robust bookings from existing projects and significant flow of advances from customers will be key rating sensitivity factor.

- Delay in project completion and slower than anticipated project completion**

Anant Raj Estate - Independent Floor and Plots, were estimated to be completed in the year 2018 itself. Both the projects are still ongoing and expected to be completed in the year 2020. Anant Raj Estate - Independent Floor & Villas have been progressing at slower rates than anticipated.

Completion Status of the Projects:

Project	Jan. 2019	Sept. 2017
Anant Raj Estate- Independent Floor	67%	53%
Anant Raj Estate- Villas	68%	57%

- Inherent cyclical in real estate sector**

The real estate industry in India 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 among others which could affect the operations of the firm.

- **Competitive industry scenario**

The real estate market has seen numerous developers operating in the Delhi-NCR region because of availability of vast lands. Hence, the competition to lure the buyers in an already subdued demand scenario is intense.

Liquidity Position:

ARL's liquidity is marked by low net cash accruals to total debt of 0.03 in FY2018. The current ratio stands at 3.16 in FY2018. The company's liquidity remains under pressure on the backdrop of sluggish sales growth and higher repayment obligations leading to dependence on refinancing. ARL had refinanced Rs.208 crore loan of Punjab National Bank from LIC Housing Finance in July 2018. The company's repayment obligations are in the range of Rs.200-250 crores every year from FY20 to FY22. Acuité believes that with low accruals to obligations, low sales traction and higher debt repayment obligations, the liquidity would remain stretched over the near to medium term.

Outlook: Negative

Acuité believes that the outlook on ARL is 'Negative' due to insufficiency of cash inflows to meet future debt obligations, less than anticipated sales growth and high refinancing risk. The rating may be further downgraded in case the company is not able to generate sufficient cashflows to service its debt obligations and sales traction does not pick up. The ratings may be revised to stable if the company achieves more than expected revenues and sufficient cash flows which will help to service debt and reduce its dependence on refinancing.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	506.70	465.95	431.34
EBITDA	Rs. Cr.	136.87	138.98	134.78
PAT	Rs. Cr.	60.19	85.01	81.78
EBITDA Margin (%)	(%)	27.01	29.83	31.25
PAT Margin (%)	(%)	11.88	18.24	18.96
ROCE (%)	(%)	2.15	2.76	2.74
Total Debt/Tangible Net Worth	Times	0.65	0.40	0.36
PBDIT/Interest	Times	2.90	3.18	3.58
Total Debt/PBDIT	Times	16.09	10.15	9.24
Gross Current Assets (Days)	Days	2533	2286	2171

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Criteria for Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Mar-2018	Cash Credit	Long Term	50.00	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	12.59	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	20.16	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	38.71	ACUITE BBB+ / Positive (Assigned)
05-Mar-2019	Term Loan	Long Term	26.43	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	36.40	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	26.52	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	65.41	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	165.83	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	49.91	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	39.63	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	43.75	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	95.00	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	95.00	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	125.00	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	175.00	ACUITE BBB+ / Positive (Assigned)
	Term Loan	Long Term	10.74	ACUITE BBB+ / Positive (Assigned)

	Proposed Bank Facility	Long Term	98.92	ACUITE BBB+ / Positive (Assigned)
--	------------------------	-----------	-------	-----------------------------------

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB- / Negative (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	573.38	ACUITE BBB- / Negative (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	314.66	ACUITE BBB- / Negative (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	10.74	ACUITE BBB- / Negative (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	236.22	ACUITE BBB- / Negative (Downgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head-Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rishabh Mundada Analyst-Rating Operations Tel: 022-49294051 rishabh.mundada@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.