

Press Release

Anant Raj Limited

June 24, 2020

Rating Downgraded



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

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating on the Rs.1185.00Cr bank facilities of ANANT RAJ LIMITED (ARL) to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**). The outlook continues to remain '**Negative**'.

The downgrade in the rating is reflective of sustained pressures on the business risk profile of the entity and Acuite's expectations that such pressures will continue over the medium term due to limited progress in its key real estate projects. ARL has witnessed a sharp slowdown in its fresh bookings from March 2019, which has led to a steady decline in the operating cash flows available for maturing debt obligations. Acuité believes that there is a significant risk of a further deterioration in both the business and financial risk profile due to a protracted slowdown in the real estate sector and weak prospects of a revival in new property sales in the near term. While any applicable loan moratorium may provide short term relief, ARL is likely to witness acute liquidity pressures thereafter particularly given the risks of debt refinancing in the sector. Acuite will continue to monitor the progress in refinancing of maturing debt obligations and the same remains a key monitor able.

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 No.	Name of the Company
1	Aakashganga Realty Pvt Ltd
2	Advance BuildconPvt 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	AnkurBuildcon Pvt. Ltd
13	A-Plus Estate 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 BuildtechPvt Ltd
20	Century Promoters Pvt Ltd
21	Echo BuildtechPvt 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	GaganBuildtech Pvt. Ltd.
34	Glaze Properties Pvt. Ltd.
35	GreatwaysBuildtech 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	GreenlineBuildcon Pvt. Ltd.
41	Greenline Promoters Pvt. Ltd.
42	Greenwood Properties Pvt. Ltd.
43	Gujarat Anant Raj Vidhyanagar Ltd.
44	GoodluckBuildtech Pvt. Ltd.
45	Grand Buildtech Pvt. Ltd.
46	Grand Park Estates Pvt. Ltd.
47	GrandParkBuildtech 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	PapillonBuildcon Pvt. Ltd.
65	Park Land Construction & Equipment Pvt.
66	Park Land Developers Pvt Ltd.
67	Park View Promoters Pvt Ltd.
68	PasupatiAluminium 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	RoseviewBuildtech Pvt. Ltd
81	Roseview Properties Pvt. Ltd.
82	SaiguruBuildmart 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	TumhareLiye 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 Cr, Rs.1000 Cr 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. However, Acuite is yet to receive an update on the current status of the demerger.

Key Rating Drivers

Strengths

- **Established track record of operations in the real estate segment and experienced management**

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 constructions 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.

Weaknesses

- **Pressure on the business risk profile due to subdued traction in key real estate projects**

ARL's business risk profile continues to remain under pressure due to subdued traction in key real estate project sales. Acuite despite its repeated attempts to seek updates on key projects has received limited information. However, the 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. The pressure on sales will reflect in either continued slowdown in construction of the projects or alternatively, it may result in increased debt levels over the medium term.

Acuite 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.

- **Inherent cyclical nature in real estate sector and competitive industry scenario**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific presence. The risks associated with real estate industry are cyclical nature of business (drop in property price), interest rate risk among others which could affect the operation of the firm. Also, 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.

Rating Sensitivities

- Continuation in slowdown of customer bookings and advances leading to inventory built-up will be a key rating sensitivity.

Material Covenants

None

Liquidity position: Stretched

ARL's liquidity is stretched marked by low net cash accruals to total debt of 0.03 in FY2019. The current ratio stands at 3.10 in FY2019. 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 Cr 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 Cr every year from FY20 to FY22. Acuite 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 heightened refinancing risk. The rating may be further downgraded in case the company is not able to generate sufficient cash flows 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	500.90	506.70
PAT	Rs. Cr.	53.34	60.19
PAT Margin	(%)	10.65	11.88
Total Debt/Tangible Net Worth	Times	0.73	0.67
PBDIT/Interest	Times	2.48	2.90

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

None

Any other information

The rating is based on the last available information with Acuité.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Companies-<https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instruments/Facilities	Term	Amount (Rs.Cr)	Ratings/Outlook
March 28, 2019	Cash Credit	Long Term	50.00	ACUITE BBB-/Negative (Downgraded from ACUITE BBB/Positive)
	Term Loan	Long Term	573.38	ACUITE BBB-/Negative (Downgraded from ACUITE BBB/Positive)
	Term Loan	Long Term	314.66	ACUITE BBB-/Negative (Downgraded from ACUITE BBB/Positive)

	Term Loan	Long Term	10.74	ACUITE BBB-/Negative (Downgraded from ACUITE BBB/Positive)
	Term Loan	Long Term	236.22	ACUITE BBB-/Negative (Downgraded from ACUITE BBB/Positive)
March 05, 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)
	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		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 BB+/ Negative (Downgraded from ACUITE BBB- /Negative)
Term Loans	Not Available	Not Applicable	Not Available	573.38	ACUITE BB+/ Negative (Downgraded from ACUITE BBB- /Negative)
Term Loans	Not Available	Not Applicable	Not Available	314.66	ACUITE BB+/ Negative (Downgraded from ACUITE BBB- /Negative)
Term Loans	Not Available	Not Applicable	Not Available	10.74	ACUITE BB+/ Negative (Downgraded from ACUITE BBB- /Negative)
Term Loans	Not Available	Not Applicable	Not Available	236.22	ACUITE BB+/ Negative (Downgraded from ACUITE BBB- /Negative)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President- Corporate and Infrastructure Sector Ratings Tel:022-49294041 aditya.gupta@acuите.in</p> <p>Kumar Abhisek Ratings Analyst - Rating Operations Tel: 011-49731308 kumar.abhisek@acuите.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuите.in</p>

About Acuite Ratings & Research:

Acuite 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 Acuite 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. Acuite 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, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite 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. Acuite 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 Acuite.