

Press Release

ROLLING CONSTRUCTION PRIVATE LIMITED

March 31, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BBB/ Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs.24.00 crore bank facilities of ROLLING CONSTRUCTION PRIVATE LIMITED. The outlook is '**Stable**'.

The New Delhi based, Rolling Construction Private Limited (RCPL) was incorporated in 2006. The company is a subsidiary of Anant Raj Limited (ARL) which is one of the leading real estate development and leasing companies in NCR (Delhi). The company is engaged in construction and leasing of commercial property. RCPL has an IT park branded as 'Tech Park' at Industrial Estate in Panchkula (Haryana) with total leasable area of 4.50 lakh square feet.

Analytical approach:

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

Key rating drivers

Strengths

Debt servicing supported by corporate guarantee from Anant Raj Limited

RCPL had availed loan of Rs.50.00 crore for the development of the IT Park. Anant Raj Limited (ARL), the holding company of RCPL has issued an unconditional and irrevocable corporate guarantee of Rs.70.00 crore and is continuously supporting the company for timely servicing of debt obligation.

Experienced management and established position in the real estate sector

The 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, the Managing Director has an experience of over three decades in the development and construction business. Mr. Amit Sarin, the Director and CEO has expertise in development of I.T. Parks/ SEZs, Commercial, and Hospitality business.

ARL is a 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 of residential and commercial projects in Delhi/NCR along with diversified set of project portfolios 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 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 through its subsidiaries and group companies has total land bank of ~1050 acres largely acquired in Delhi, NCR and Haryana 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

Below average coverage indicators marked by low occupancy rate

RCPL, on a standalone basis has below average coverage indicators with Interest Coverage Ratio (ICR) of 0.34 times and Debt Service Coverage Ratio (DSCR) of 0.18 times in FY2016-17. This is mainly on account of low occupancy rate of 20 percent as on January 2018. The company however expects the occupancy to increase to 40 percent in FY2019.

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 which mainly consists of term loan 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 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 like cyclical nature of business (drop in property prices) and interest rate risk can affect the operations of the company.

Outlook – Stable

SMERA believes that RCPL will maintain a 'Stable' outlook over the medium term on the back of continuous support from the Anant Raj Limited's experienced management. The outlook may be revised to 'Positive' in case the company is able to demonstrate significantly better than envisaged coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company faces challenges in maintaining coverage indicators, renewal of agreement at envisaged terms or adverse movements in the credit profile of the tenant.

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
Term Loans	Not Applicable	Not Applicable	Not Applicable	24.00	SMERA BBB/Stable

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ABOUT SMERA

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