

Press Release

Anika Developers

June 07, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.20.00 crore bank facilities of Anika Developers. The outlook is '**Stable**'.

Established in 2007, Anika Developers (Anika) is a Bangalore-based real estate firm promoted by Mr. A. Nagesh. It is into development of real estate projects in and around Bengaluru (Karnataka). Currently, It is developing a residential cum commercial project with total saleable area of 70 thousand square foot (sq.ft.) to construct 51 units, which include 2-bhk, 3-bhk apartments and 27 thousand sq.ft. for commercial purpose. The total cost of the projects is Rs.39.99 crore.

Key Rating Drivers

Strength

• Experienced management

The proprietor, Mr. A. Nagesh has around two decades of experience in the real estate segment. The entity has successfully developed three residential layouts and gated communities (Shivani Gardens, Coconut Gardens and Shivani Greens), residential sites and plots involving overall saleable area of over 3.5 lakh sq.ft. comprising of over 300 residential flats around Bengaluru city. Now the firm ventured into development of a residential-cum-commercial project in Bengaluru with a super built up area of about 97 thousand sq.ft. The construction started in September 2017 and management expects the project to be ready for handover by December 2019. Acuite believes that the proprietor's experience in the real estate industry is expected to support in successful sale of the units, and timely completion of the project.

Weaknesses

• Funding risk

The entity is currently developing a project (Anika Redwood Homes) at a cost of about Rs.39.99 crore. The project is proposed to be funded out of promoter's contribution of about Rs.10.50 crore (~26 percent of project cost), bank funding of about Rs.20.00 crore (~50 per cent) and customer advances of about Rs.9.49 crore (~ 24 percent). The firm has achieved about 17 percent of project completion as on March 2018, with investment of about Rs.7.00 crore; the same is funded out of promoter's contribution of Rs.3.5 crore (~ 50 percent) and Rs.3.50 crore (~ 50 percent) from banks.

For the next phase of work completion of about Rs.32.99 crore, the firm will be using bank term loan of Rs.16.50 crore and promoter's contribution of Rs.7.00 crore, besides dependency on customer advances. The entity is yet to receive the advances from customers, though it has sold 11 units out of 51 units. Acuite believes that any less-than-expected bookings or delay in realisation of advances from customers or infusion of promoter's contribution may impact the timely completion of the project.

• Inherent cyclicity 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 in nature in terms of drop in property prices partly attributed to piling of high inventory of flats, commercial space, economic downturn, building material availability issues, among others and Acuite believes that the firm is also exposed to them.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Anika Developers to arrive at this rating.

Outlook: Stable

Acuite believes that the entity will maintain a 'Stable' business risk profile over the medium term on the back of experienced proprietor and long operational track record in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers and sale position resulting in adequate cash flows for timely completion of the project. Conversely, the outlook may be revised to 'Negative' in case of any stretch in the project cash flows on account of delay in project funding, or less-than-expected sale of flats or advances from the customers.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1.66	3.15	6.09
EBITDA	Rs. Cr.	0.70	1.16	1.04
PAT	Rs. Cr.	0.61	1.01	0.95
EBITDA Margin	(%)	41.98	36.77	17.08
PAT Margin	(%)	36.51	32.17	15.57
ROCE	(%)	3.71	15.72	42.84
Total Debt/Tangible Net Worth	Times	0.38	2.29	0.69
PBDIT/Interest	Times	31.15	11.68	21.68
Total Debt/PBDIT	Times	9.60	5.71	1.83
Gross Current Assets (Days)	Days	3746	300	79

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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 Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE B+ / Stable (Assigned)

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About Acuité Ratings & Research:

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