

Press Release

Alfaraa Properties Private Limited

July 23, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 80.00 crore bank facilities of Alfaraa Properties Private Limited.

Alfaraa Properties Private Limited (APPL) is a Mumbai-based construction company promoted by Mr. J R Gangaramani, Mrs. Usha Gangaramani and Mr. C R Gangaramani among others. APPL is into construction of residential buildings/apartments and commercial buildings.

Key Rating Drivers

Strengths

- **Experienced Management**

Mr. J R Gangaramani, Mrs. Usha Gangaramani and Mr. C R Gangaramani among others have experience of over three decades in the real estate sector. The company has executed commercial project in Mumbai. Acuité believes that the company will be benefited from its strong business profile on the back of the experienced management and long track record of operations.

Weaknesses

- **Delays in servicing debt obligation**

APPL has been facing liquidity pressure on account of executing significant number of projects which has impeded its ability to meet the debt obligation in a timely manner. The account has been irregular on account of delay in debt servicing with regards to term loan interest payments.

- **Exposure to the risks in the Real Estate Industry**

APPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to reduce prices.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of APPL to arrive at the rating.

Outlook:

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.08	0.00	0.00
EBITDA	Rs. Cr.	-0.31	-0.57	-0.64
PAT	Rs. Cr.	-0.36	0.19	-0.65
EBITDA Margin	(%)	-379.45	0.00	0.00
PAT Margin	(%)	-441.56	0.00	0.00
ROCE	(%)	-0.52	0.39	-2.82

Total Debt/Tangible Net Worth	Times	0.42	0.21	0.00
PBDIT/Interest	Times	-6.32	85.24	-340.34
Total Debt/PBDIT	Times	-62.19	40.07	0.00
Gross Current Assets (Days)	Days	225967	0	0

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>

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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	44.40	ACUITE D
Term loans	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE D
Proposed	Not Applicable	Not Applicable	Not Applicable	25.85	ACUITE D

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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.

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