



Press Release

Adwalpalkar Constructions And Resorts Private Limited

October 08, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 39.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs. 39.00 crore bank facilities of ADWALPALKAR CONSTRUCTIONS AND RESORTS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in the year 2010 in Goa, Adwalpalkar Construction & Resorts Private Limited (ACRPL) was promoted by Mr. Mahesh Adwalpalkar, Mrs. Jyoti Adwalpalkar and Mr. Shripad Adwalpalkar. The company is engaged in the construction of commercial and residential property along with running a chain of hotels with the brand name of 'Sinq' in Goa. ACRPL currently has six ongoing projects with a total saleable area of ~3,38,930.53 square feet.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Adwalpalkar Constructions and Resorts Private Limited has been present for almost a decade in the real estate and hospitality sector. ACRPL was incorporated in the year 2010 for the construction of residential and commercial properties in Goa. In the year 2012, the company entered into the hospitality segment. ACRPL has successfully delivered 7 projects till March 31, 2018 and presently it has 6 ongoing projects at different stages of construction and 1 project which is yet to start. ACRPL's promoters have been associated with the real estate sector since 1995 through their group partnership firm M/s Adwalpalkar Constructions (no operations as on date). Further, ACRPL operates a reputed hotel chain in Goa with the brand name of 'Sinq'. Acuité believes that ACRPL's established track record of successful project execution and brand presence will continue to support its business risk profile over near to medium term.

- **Geographical Location Advantage of the projects**

All the projects of the company are based out in prime locations in Goa, including Donapaula, Bambolim, Margao. Tourism being a primary industry in Goa, ACRPL's presence in tourist attractive sites will attract a greater footfall to their locations.

Weaknesses

- **Weak Stage of Project Completion**

The company is developing six commercial and residential projects (for sale) along with a hotel with a total saleable area of ~3,38,930.53 square feet in Goa. ACRPL has completed ~9.00 per cent (Rs.15.85 crore) of the total cost of construction (Rs.176.54 crore) of all ongoing projects till March, 2018. Of the total saleable area ~44 percent has been sold till March, 2018. The projects are expected to complete by March, 2024. The firm's ability to execute projects as per schedule is highly dependent on timely receipt of regulatory approvals along with customer advances, which forms major chunk of the total funding requirement of the projects. Therefore, Acuité believes that the group's ability to execute the projects as per schedule and achieve sales will remain key rating sensitivity.

- **Competition from other real estate players in the industry**

The real estate industry in India is highly fragmented with most of the real estate developers having region-specific presence. ACRPL also faces competition from other real-estate developers in Goa. However, an experience of almost a decade and good understanding of the region gives ACRPL a competitive edge.

- **High execution risk over susceptibility to Real Estate Cyclical and Regulatory Risks**

ACRPL is exposed to the cyclicalities associated with the real estate sector. The company faces 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. Recent policy changes in regulatory framework by the government have added to the stress. However, the same is mitigated as the projects are located in well-connected areas of Goa.

Analytical Approach

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

Outlook: Stable

Acuité believes that ACRPL will maintain a stable outlook over medium term on account of its established track record in the industry. The outlook may be revised to positive in case the company achieves significantly higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to negative in case of slower than expected customer advances or in case of delay in project execution.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	135.10	50.03	38.40
EBITDA	Rs. Cr.	20.71	10.00	6.07
PAT	Rs. Cr.	9.14	2.59	2.57
EBITDA Margin	(%)	15.33	19.98	15.79
PAT Margin	(%)	6.77	5.19	6.68
ROCE	(%)	25.75	14.03	10.25
Total Debt/Tangible Net Worth	Times	2.81	4.31	7.71
PBDIT/Interest	Times	4.07	2.22	5.43
Total Debt/PBDIT	Times	2.76	4.86	6.97
Gross Current Assets (Days)	Days	320	964	1018

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

CARE, while its press release dated July 14, 2017 had denoted the rating of ACRPL as 'CARE BB -; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

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
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	18.45	ACUITE BB / Stable
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	13.60	ACUITE BB / Stable
Dropline Overdraft (Proposed)	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.45	ACUITE BB / Stable

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About Acuité Ratings & Research:

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