



Press Release

Adwalpalkar Constructions And Resorts Private Limited

March 29, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 48.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

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

Further, Acuité has assigned a long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 9.00 crore bank facilities of ADWALPALKAR CONSTRUCTIONS AND RESORTS PRIVATE LIMITED (ACPL). The outlook is '**Stable**'.

Incorporated in 2010 at Goa, ACPL was promoted by Mr. Mahesh Adwalpalkar, Mrs. Jyoti Adwalpalkar and Mr. Shripad Adwalpalkar. The company is engaged in the construction of commercial and residential properties along with running a chain of hotels with the brand name of 'Sing' in Goa. ACPL currently has six ongoing projects with a total saleable area of ~3,38, 930.53 square feet.

Analytical Approach

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

Key Rating Drivers

Strengths

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

ACPL has present for almost a decade in the real estate and hospitality sector. ACPL was incorporated in 2010 for the construction of residential and commercial properties in Goa. In 2012, the company entered into the hospitality segment. ACPL 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. ACPL's promoters have been associated with the real estate sector since 1995 through their group partnership firm- M/s Adwalpalkar Constructions (non-operational). Further, ACPL operates a reputed hotel chain in Goa with the brand name of 'Sing'. Acuité believes that ACPL'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 at prime locations in Goa, including Donapaula, Bambolim and Margao. Tourism being a primary industry in Goa, ACPL's presence in tourist attractive sites will attract a greater footfall at their hotels.

Weaknesses

- **Moderate stage of project completion**

The company is developing six commercial projects (for sale) along with a hotel (which will be retained by ACPL) with a total saleable area of ~3,38,930.53 square feet in Goa. ACPL has completed ~27.00 per cent (Rs.48.16 crore) of the total cost of construction of Rs.176.54 crore till February, 2019. Of the total saleable area, ~48.10 percent has been sold till February, 2019. The projects are expected to be completed by March, 2024. The traction in receipt of customer advances is dependent on project completion. 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, Acuite 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 and hospitality players in the industry**

The real estate industry in India is highly fragmented with most of the real estate developers having region-specific presence. ACPL faces competition from other real-estate developers in Goa. ACPL also faces the risk of low occupancy in its hotels on account of competition from other players in the hospitality segment. However, an experience of almost a decade, established brand name of the hotels and good understanding of the region gives ACPL a competitive edge.

- **High execution risk over susceptibility to Real Estate cyclical and regulatory risks**

ACPL is exposed to the cyclical 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 at well-connected areas of Goa.

Liquidity Position

ACPL's liquidity position remains moderate in the backdrop of repayment of debt obligations accentuated by moderate bookings of its flats. However, the growing challenges and stress in the real estate industry on account of sluggish sales and increase in unsold inventory is a concern. Major portion of the company's projects will be funded through customer advances which will depend on the level of completion and demand in the industry. Adequate customer advances along with requisite infusion of promoter's funding will alleviate its liquidity pressures and align its debt maturity profile with its cash flows from operations for the near future.

Outlook: Stable

Acuite believes that ACPL 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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	133.60	50.03	38.40
EBITDA	Rs. Cr.	15.89	10.00	6.07
PAT	Rs. Cr.	8.11	2.59	2.57
EBITDA Margin	(%)	11.89	19.98	15.79
PAT Margin	(%)	6.07	5.19	6.68
ROCE	(%)	18.84	14.03	10.25
Total Debt/Tangible Net Worth	Times	2.94	4.31	7.71
PBDIT/Interest	Times	6.88	2.22	5.43
Total Debt/PBDIT	Times	3.48	4.86	6.97
Gross Current Assets (Days)	Days	239	964	1018

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

None

Any other information

None

Applicable Criteria

- Entities in the Service Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Oct-2018	Dropline Overdraft	Long Term	32.05	ACUITE BB / Stable (Assigned)
	Proposed Dropline Overdraft	Long Term	2.50	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	4.45	ACUITE BB / Stable (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
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	32.05	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.45	ACUITE BB / Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.57	ACUITE BB / Stable (Assigned)
Proposed Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.43	ACUITE A4+ (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Jyotsna Nebhnani Analyst - Rating Operations Tel: 022 49294074 jyotsna.nebhnani@acuitein.com</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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