

Press Release

Arkade Paradigm

April 26, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 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**) to the Rs. 25.00 crore bank facilities of Arkade Paradigm (AP). The outlook is '**Stable**'.

AP is a partnership firm with partners, Arkade Developers Private Limited and Mr. Amit M. Jain. The day to day operations of the firm is handled by Mr. Amit M. Jain, Mr. Sandeep Jain and Mr. Arpit Jain. The firm is part of Arkade Group which has completed several residential, commercial and retail spaces across Mumbai during the last fifteen years. The group has developed space of around 1,262,617 sq. ft. across residential, commercial and retail space. The group has completed around 19 real estate projects across Mumbai. The firm is presently engaged in a redevelopment project under the name 'Arkade Rise' at Carmichael Road in Mumbai (Maharashtra).

Analytical Approach

Acuite has considered standalone business and financial risk profile of AP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced track record of promoters in the real estate industry:**

The day to day operations of AP is managed by Mr. Sandeep Jain and Mr. Amit M. Jain who collectively possess around two decades of experience in the real estate industry. The firm is part of Arkade Group which has completed several residential, commercial and retail spaces across Mumbai during the last fifteen years. Further, the location of the project is well connected by road and rail, providing strategic location to the project.

Acuite believes that the management's established track record of successful project execution and favourable project location will continue to support the business risk profile of AP.

Weaknesses

- **Moderate project execution risk:**

The construction activity is at moderate stage as the firm has demolished the old structure and construction of retaining wall for 14th floor slab is in progress. The firm has incurred project cost of around Rs. 42.14 crore as on March 31, 2019 and same has been funded through partners' capital of Rs. 27.87 crore and bank borrowings of Rs. 14.27 crore. The firm is yet to launch its project; thereby, no customer advances have been received till date. Hence, going forward, the ability of the firm to timely launch the project and generate steady flow of customer advances will be key rating sensitivity factor.

- **Inherent cyclicity in construction 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 nature of business (drop in property prices), interest rate risk, among others can affect the operations of the firm.

- **Stiff competition from ongoing and new projects in the vicinity**

Carmichael Road in Tardeo is the upmarket of Mumbai on account of high profile residents. The firm faces stiff competition from many builders in Tardeo with projects including SD The Imperial, Vastu Shilp Apartment, Verain Iora, Vista Luxuria, to name a few.

Liquidity Position:

AP's liquidity is supported by cash infusion by partners and related parties. The firm is planning to launch the project around September 2019, whereas the term loan repayment will commence from March quarter of FY19-20. The quarterly installment is of Rs.5.00 crore. Any delay in launching the project or lower than expected cash realisation from flat booking will result in stretched liquidity position.

Outlook: Stable

Acuite believes that AP will maintain a 'Stable' outlook over medium term on account of established track record of the Arkade group in real estate industry. The outlook may be revised to 'Positive' in case the firm achieves significantly higher than expected customer advances and booking level along with timely execution of the project. Conversely, the outlook may be revised to 'Negative' in case of slower than expected sales or delay in project execution.

About the Project

AP is presently developing a redevelopment project under the name 'Arkade Rise' at Carmichael Road in Tardeo Road (Mumbai). The firm is constructing total 19 floors consisting of basement, ground floor, 6 floors of parking space, 1 amenity floor and 12 upper habitable floors and a common terrace. The 12 habitable floors will consist of single 3 BHK apartments except on two floors with 2BHK apartment. Out of the total 12 apartments, 6 apartments will be allocated to the existing owners and remaining 6 apartments will be available for sale. The total project construction area is 48585.45 Sq. ft. The project cost is estimated at Rs. 66.82 crore and sales proceeds are expected to be at Rs. 112.51 crore. The aforementioned project cost is expected to be funded through bank borrowings of Rs. 25.00 crore and rest through promoters' capital.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	(0.01)	(0.01)	(0.00)
EBITDA	Rs. Cr.	2.37	0.09	0.07
PAT	Rs. Cr.	1.24	0.01	0.00
EBITDA Margin	(%)	(35880.06)	(1437.27)	(1767.30)
PAT Margin	(%)	(18839.15)	(122.25)	(0.00)
ROCE	(%)	9.67	0.48	0.67
Total Debt/Tangible Net Worth	Times	0.37	2.14	0.87
PBDIT/Interest	Times	2.10	1.09	1.01
Total Debt/PBDIT	Times	2.92	166.22	107.52
Gross Current Assets (Days)	Days	(14,99,804)	(13,97,730)	(14,89,765)

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

None

Any other information

None

Applicable Criteria

- Default Recognition <https://www.acuite.in/view-rating-criteria-17.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.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	25.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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