



SMERA RATINGS LIMITED

# Impact SARE Magnum Townships Private Limited (Impact - SARE)

## Rating Rationale

**June 17, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Secured Overdraft Against Real Estate	20.00	SMERA B/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) to the long-term (fund based) bank facilities, and '**SMERA A4**' (read as **SMERA A four**) to the short-term (non-fund based) bank facilities of Impact SARE Magnum Townships Private Limited (Impact-SARE). The outlook is '**Stable**'. The ratings are constrained by the company's exposure to intense competition prevalent in the residential real estate sector. The ratings are also constrained by the company's exposure to significant project saleability risk amidst slowdown in the real estate industry. However, the ratings are supported by the company's experienced management.

Impact-SARE, incorporated in 2007, is a joint venture between Impact Projects Private Limited (a group company of the Amritsar-based Impact Group) and SARE (Cyprus) SPV (No. 8) Ltd. (a special purpose vehicle of the SARE Group, an India-focused residential real estate fund). Impact-SARE faces intense competition from several ongoing residential projects (undertaken by various reputed builders, including Ansal Builders, Rajdeep Builders and Chawla Builders) in Amritsar. The company is also exposed to significant project saleability risk. Impact-SARE has completed ~98 per cent construction of the first phase (Ashbery Homes) of the project; however, the company has received advances of only Rs.31.97 crore. Impact-SARE is thus adversely affected by the current slowdown in the residential real estate sector.

The company has completed ~80 per cent construction of the second phase (Crescent ParC) of the project. In Crescent ParC, Impact-SARE has recognized revenues of Rs 33.30 crore and advances received is Rs 15.79 crore. Delays in completion of project or lower-than-expected offtake would lead to cash flow mismatches, which may adversely affect the company's debt servicing ability.

Impact-SARE benefits from its experienced management. The company's promoters have around two decades of experienced in the real estate industry.

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*Rating  
Rationale*

## Outlook: Stable

SMERA believes Impact-SARE will maintain a stable business risk profile over the medium term on back of its experienced management. The outlook may be revised to 'Positive' in case the company generates higher-than-expected cash flows. Conversely, the outlook may be revised to 'Negative' in case of liquidity pressure arising from delays in receipt of customer advances or time overruns in project completion.

## About the project

Impact-SARE is developing an integrated residential township (spread over 106 acres) in Amritsar, Punjab. The project is divided in two phases. The first phase (Ashberry Homes) is spread over 5.12 acres and comprises 276 apartments, 12 shops and 31 apartments (for economically weaker section). The second phase (Crescent ParC) comprises 24.60 acre plotted development. The company has registered 66 per cent bookings in the first phase of the project and 51 percent in the second phase of the project.

## About the company

Impact-SARE, incorporated in 2007, is a Ludhiana-based real estate development company. Impact-SARE is engaged in developing an integrated residential township in Amritsar, Punjab.

For FY2012-13, Impact-SARE reported net profit after tax of Rs.0.44 crore on total income of Rs.30.89 crore, as compared with net profit after tax of Rs.0.30 crore on total income of Rs.17.94 crore for FY2011-12. The company booked revenue of Rs.36.37 crore (provisional) during April 2013 to February 2014. Impact-SARE's net worth stood at Rs.68.79 crore as on March 31, 2013, as compared with Rs.68.35 crore a year earlier.

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