

March 26, 2021

Assetz Premium Holdings Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme (NCD)	150.00	150.00	[ICRA]BB- (Stable); Re-affirmed
Total	150.00	150.00	

*Instrument details are provided in Annexure-1

Rationale

The rating re-affirmation positively factors in the track record of the Assetz Property Group in developing commercial and residential real estate projects in Bengaluru. The group has a track record of total development area of over 20 million sq. ft. as on date. The rating takes into account the successful launch of Phases 3 and 4 of the project in the form of plotted development, with healthy sales bookings since the launch. ICRA also derives comfort from the favourable terms of the rated NCDs such as its long tenor and presence of an escrow mechanism with redemption (interest, instalment and premium) linked to the extent of availability of free cash flows.

The rating, however, is constrained by the modest sales velocity and collections in row houses developed in Phases-1A. While row house Phase-1A was launched in July 2018, the subsequent Phase-1B is yet to be launched, thus exposing the company to project execution risks. Notwithstanding the healthy sales response to Phases 3 and 4, overall only 26% of the saleable area in the project has been sold as on December 2020. Moreover, while the plotted development results in faster cash flows, the profitability is lower than the row house phases.

The Stable outlook on the [ICRA]BB- rating reflects ICRA's opinion that the credit profile of the rated instrument will benefit from the favourable terms and the track record of the group and quicker completion of plotted development phases, despite the risks associated with the row houses phases.

Key rating drivers and their description

Credit strengths

Track record of the Assetz Property Group - The Assetz Property Group has developed commercial and real estate projects in the past, having developed five commercial and fourteen real estate projects as on date with total development area of over 20 million sq. ft.

Favourable terms of NCD - The presence of an escrow mechanism and ring fencing of cash flows with NCD servicing to be done based on the extent of availability of free cash flows serves as a credit positive for the company. The NCD carries a coupon of 14% and no committed IRR on exit, however, an IRR of 21% is to be provided in case of an early redemption of NCDs.

Healthy sales response to Phases 3 and 4 of the project - In September 2020, the company successfully launched its Phase 3 and 4 of project in the form of plotted development and healthy sales response has been witnessed since its launch with 23 out of 72 plots sold within December 2020.

Credit challenges

Exposure to market risk - Notwithstanding the healthy sales response to Phases 3 and 4, overall only 26% of the saleable area in the project has been sold as on December 2020. Moreover, while the plotted development results in faster cash flows, the profitability is lower than the row house phases.

Exposure to project execution risks- Earth & Essence- Phase 1A was launched in July 2018, while phase-1B is yet to be launched, thus exposing the company to project execution risks. Continued delay in launch and execution of phase-1B may hinder the company's ability to provide the required return to the NCD investors, notwithstanding the flexibility on payments during the tenure.

Liquidity position: Stretched

Notwithstanding the improved visibility of cashflows from the plotted development, the liquidity is expected to remain stretched due to modest sales velocity of row house phases, balance costs to be incurred and high dependence on customer advances for project execution.

Rating sensitivities

Positive factors – ICRA could upgrade APHPL's rating if the company demonstrates a sustained improvement in sales velocity and collection along with improvement in project profitability.

Negative factors – Negative pressure on APHPL's rating could arise if there is further delay in commencement of upcoming phases and/or delay in completion of current phase. Weakness in sales velocity and collection on a sustained basis will also put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

APHPL, incorporated in March 2015, is a part of the Assetz Property Group, which was founded in 2006 and is headquartered in Singapore. The Group was previously into development management and has later on ventured into undertaking projects under its own brand primarily backed by private equity funding. APHPL is at present involved in the development of residential row houses and plotted developments called Earth & Essence in North Bangalore. Phase 1A of the project was launched as houses in July 2018. Recently, phase 3&4 were launched as plotted development project in September 2020. Equity, CCD and NCD in the project are invested in 74%:26% ratio by JP Morgan and Assetz, respectively.

Key financial indicators (audited)

APHPL Standlone	FY2019	FY2020
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-4.0	-6.6
OPBDIT/OI (%)	NA	NA
PAT/OI (%)	NA	NA
Total Outside Liabilities/Tangible Net Worth (times)	25.9	33.1
Total Debt/OPBDIT (times)	-44.0	-28.3
Interest Coverage (times)	NA	NA

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; NA – Not Applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2020 (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					March 26, 2021	Dec 31, 2019	Sep 17, 2018	Jun 28, 2017
1	NCD	Long Term	150.0	124.5	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]BB-(SO)(Stable)	[ICRA]BB+(SO)(Stable)

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE601V08034	Non-Convertible Debentures	01-Sept-16	14.00%	31-Aug-25	107.30	[ICRA]BB- (Stable)
INE601V08042	Non-Convertible Debentures	01-Sept-16	14.00%	31-Aug-25	37.70	[ICRA]BB- (Stable)
Unallocated	Non-Convertible Debentures	-	-	-	5.00	[ICRA]BB- (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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