March 25, 2022

Assetz Premium Holdings Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme (NCD)	150.0	150.0	[ICRA]BB- (Stable); Reaffirmed
Total	**150.0**	**150.0**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation 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 phase 2 (plotted development) of the project, Earth & Essence, and healthy sales booking in phases 3 and 4 (plotted development) since its launch, with 81% area sold as of December 2021. ICRA notes the flexible terms of payment of the rated NCDs such as its long tenor with timing of coupon payment and redemption 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 phase-1A and the project execution risk pertaining to phase 1b which is expected to be launched in Q1FY2023. Timely launch and sales of the balance inventory is critical for the expected cash flows to be generated within the tenure of the NCDs.

The Stable outlook on the rating reflects ICRA's opinion that the credit profile of the rated instrument will benefit from the flexible terms and healthy sales velocity of plotted development phases, despite the risks associated with the row house 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.

Healthy sales response to Phases 3 and 4– 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 58 out of 72 plots sold till December 2021. The phase 2 plotted development project launched in December 2021 has also witnessed healthy sales booking upon launch. The company is expected to be fully repay the construction finance availed for the project by FY2023. ICRA notes the flexible terms of payment of the rated NCDs such as its long tenor with timing of coupon payment and redemption linked to the extent of availability of free cash flows.

Credit challenges

Exposure to market risk – The company has witnessed modest sales velocity and collections in its row houses phase 1A. While the phase is almost complete with 94% of the total cost been incurred, only 62% of the saleable area in the project has been sold as of December 2021, with collections being 67% of the sale value.

Exposure to project execution risks- Earth & Essence- 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 generate the expected cash flows during the tenure of the NCDs.

Liquidity position: Adequate

The liquidity of the company is adequate with receivables from sold area of Rs. 77.1 crore as of December 2021. The company expects a significant portion of these receivables to be received by June 2022, which will be used to meet the pending construction cost and repayment of construction finance availed. Cash flows thereafter will be used for redemption of the rated NCDs which are due for repayment by FY2026.

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- Real Estate entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

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 project called Earth & Essence in North Bangalore. Phase 1A of the project was launched as row houses in July 2018 while phase 3&4 were launched as plotted development project in September 2020. Recently, phase 2 was launched as plotted development and phase1a is expected to be launched as row house in early FY2023.

Key financial indicators

DIDPL (Standalone)	FY2020 (Audited)	FY2021 (Audited)
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-6.6	-11.8
OPBDIT/OI (%)	NA	NA
PAT/OI (%)	NA	NA
Total Outside Liabilities/Tangible Net Worth (times)	33.1	243.5
Total Debt/OPBDIT (times)	-28.3	-15.2
Interest Coverage (times)	NA	NA

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation;

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, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					March 25, 2022	March 26, 2021	Dec 31, 2019	Sep 17, 2018
1	NCD	Long Term	150.0	124.7	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB-(SO)(Stable)

Complexity level of the rated instrument - Simple

Instrument	Complexity Indicator
Long-term – Fund based – NCD	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's 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 - NA

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About ICRA Limited:

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