

Amit Enterprises Housing Limited

August 28, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term Loan	75.00**	[ICRA]BBB- (Stable); Assigned
Total	75.00	

*Instrument details are provided in Annexure-1

**Rs. 75.00-crore of term loan has been sanctioned by PNBHFL towards the development of Bloomfield project.

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 75.00-crore¹ fund-based bank facilities of Amit Enterprises Housing Limited (AEHL)². The outlook on the long-term rating is Stable.

Rationale

ICRA has taken a consolidated view of the five legal entities of Amit Enterprises Group,³ which are developing eight residential and three commercial real estate projects. A consolidated view has been taken on account of strong operational and financial linkages among the group entities and their common management group.

The assigned rating takes into account the long-standing experience of the Group in the real estate industry and its good brand recognition in the Pune market. The rating takes into consideration the significant sales pick-up and collection velocity witnessed in the first two months of FY2019. The rating also factors in the location of the ongoing projects in some of the key developing micro-markets of Pune. The rating reflects the healthy project launch pipeline, which will support the future growth and diversification of the Group's cash flows.

The rating is, however, constrained by the relatively low sales booking status as on date, coupled with the exposure to moderate execution risk as majority of the projects are in early stages of development. Consequently, the receivables from sold area remain modest in relation to the pending costs and debt outstanding. The rating also factors in the competition from other similar projects present in the vicinity and the geographic concentration risk as the Group's presence is limited to Pune and Nashik at present.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

³ SKP Corp Private Limited, Amit Enterprises Housing Limited, Amit Builders Private Limited, Amit Vastu Ventures LLP, Rohan Pate Group of Constructions LLP.

Outlook: Stable

ICRA believes that the Group's credit profile will be stable, aided by its good brand recognition and track record in the real estate industry. The healthy sales and collection momentum witnessed recently, if sustained, will result in significant growth in cash flows and aid in improvement of operational metrics of the Group. The outlook may be revised to Positive in case of better-than-expected sales performance and increased collections in ongoing projects, resulting in improved cash flows. The outlook may be revised to Negative in case of continued low booking status or higher-than-anticipated debt levels.

Key rating drivers

Credit strengths

Good track record and brand recognition of Amit Enterprises Group in Pune's real estate market – The Group has been in the real-estate market for more than 30 years now with around 2.8 m sq ft of completed project area and 5.8 m sq ft of ongoing development area. The Group targets mid-income and luxury segment of the real-estate market.

Significant pick-up in sales and collection velocity in past two months – The projects witnessed healthy sales and collections velocity in the last two months on account of increased promotional activities undertaken by the Group. This momentum, if sustained, can result in significant improvement in cash flow visibility.

Favourable location and presence of necessary approvals– The ongoing projects are located in some of the key areas of Pune that are witnessing healthy growth in residential demand. All necessary approvals for project development are in place.

Healthy project launch in pipeline – The Group has plans to launch more such projects in future, which will support the future growth and diversify the Group's cash flows.

Credit challenges

Low sales booking status – At present, the Group has relatively low sales booking status across majority of its ongoing projects. As on March 2018, the Group had completed sales bookings for only 27% of the total saleable area in its ongoing projects. This could result in higher dependence on debt funding in case there is no material improvement in booking levels.

Moderate execution risk – The Group is exposed to moderate execution risk as majority of the ongoing projects are in early stages of development. As on March 2018, the Group has incurred 48% of the total budgeted construction cost, including cost incurred towards amenities shared across ongoing and upcoming phases of the project. The low sales bookings combined with moderate financial progress results in modest receivables cover over pending costs and debt outstanding.

Competition and high geographic concentration risk – The Group faces moderate competition from other similar projects present in the vicinity and is exposed to geographic concentration risk as its presence is limited to Pune and Nashik.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

The promoters of Amit Enterprises Group started real estate operations in 1983 and have so far executed projects with over 2.8 million square feet (m sq ft) of saleable area. Additionally, over 5.8 m sq ft of area, spread across residential and commercial projects, is under various stages of development.

Amit Enterprises Housing Limited, incorporated in 2008, is involved in the development and sale of real estate projects and is a part of the Pune-based Amit Enterprises Group. At present, the firm is executing five residential and one commercial projects. Out of the five residential projects, three projects are in Ambegaon, Pune, while the other two are located in Undri, Pune. The commercial project Astonia Classic is located at Undri, Pune, and is in very nascent stages of development. All the necessary approvals required for the projects such as land approvals, environmental clearance, and commencement certificate, have been obtained.

Key financial indicators

	FY2017 (audited)	FY2018 (provisional)
Operating Income (Rs. crore)	123.2	208.7
PAT (Rs. crore)	7.6	28.9
OPBDIT/OI (%)	7.4%	19.0%
RoCE (%)	6.1%	13.9%
Total Debt/TNW (times)	2.2	1.9
Total Debt/OPBDIT (times)	39.6	9.3
Interest coverage (times)	1.1	5.2

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2019)			Chronology of Rating History for the Past 3 Years		
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) **	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Term Loan	Long Term	75.00	53.0	August 2018 [ICRA]BBB- (Stable)	-	-	-

**As on August 24, 2018.

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
NA	Term Loan	June 2018	NA	December 2022	75.00	[ICRA]BBB- (Stable) Source: AEHL

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