

## Avinash Bhosale Group

February 05, 2018

### Summary of rated instruments

| Instrument           | Current Rated Amount<br>(Rs. crore) | Rating Action                 |
|----------------------|-------------------------------------|-------------------------------|
| Fund based-Term Loan | 80.00                               | [ICRA]BBB- (Stable); Assigned |
| <b>Total</b>         | <b>80.00</b>                        |                               |

### Rating action

ICRA has assigned a long -term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 80.0-crore<sup>1</sup> bank facilities of Avinash Bhosale Group (ABG or 'the firm')<sup>2</sup>. The outlook on the long-term rating is 'Stable'.

### Rationale

The assigned rating favourably factors in the extensive experience and track record of ABG's promoters in the real estate, hospitality and infrastructure segments. ABG is currently undertaking development of a premium residential apartment project over 20 acres of land in Bhosale Nagar, Pune. The rating favourably considers attractive location of the project due to proximity to social infrastructure of the city and good accessibility. The rating also takes into account the low project execution risk as 85% of the budgeted project cost has already been incurred.

The rating, however, is constrained by exposure to market risk with around 36% of the saleable area remaining to be sold. The rating is further constrained by low cover of committed receivables from sold area over pending cost and debt outstanding, which enhances the reliance on incremental sales. Given the premium nature of project and subdued market conditions, sales velocity is expected to remain modest and volatile. With large debt repayment (Rs. 38 crore) falling due in FY2019, promoter funding support in a timely manner would remain critical in case of lower than expected sales volumes in any quarter. The funding risks are partly mitigated by the past track record of financial support from the promoter group.

### Outlook: Stable

ICRA expects ABG's credit profile to be supported by funds infusion from the promoter group, as has been demonstrated in the past, in case of any volatility in sales velocity going forward. The outlook may be revised to 'Positive' if there is an upturn in sales velocity which can increase the fund flows from operation substantially. The outlook may be revised to 'Negative' if there is sustained weakness in sales volumes as compared to ICRA's expectations.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Key rating drivers

### Credit strengths

**Strong parentage with established track record and financial flexibility of promoters** – ABG is part of ABIL Group. Founded in 1979, the Group has an established brand in Pune and has developed over 7.8 million sqft of residential and commercial real estate development. The group also has interests in the hospitality and infrastructure segments.

**Attractive location of the project in Pune city area with good connectivity and accessibility** – Overlooking Pune University, Castel Royale project is located in Bhosale Nagar in Pune. As a result, the buildings in the project enjoys lush green views. The project also enjoys proximity to education institutes, malls, shopping centers, hospitals, restaurants and entertainment hubs which makes the location attractive.

**Low project execution risk:** Out of the total estimated cost of Rs. 390 crore, the firm has already incurred 85% of the cost. With all the regulatory approvals in place for the remaining construction of the project, the project execution risk remains low.

### Credit challenges

**Exposed to market risk** – The firm has already sold 64% of the total saleable area as on November 2017 with another 1.4 lakh sqft of saleable area yet to be sold.

**Low cover of committed receivables from sold area** – The receivables from area already sold cover only around 24% of the pending cost and debt outstanding as on November 2017. As a result, reliance on incremental sales to meet incremental funding requirements is fairly high.

**Reliance on promoter's support to service the debt obligations** – Given the premium nature of the project, the sales velocity is expected to remain modest and volatile. With large debt repayment (Rs. 38 crore) falling due in FY2019, promoter funding support would be required in case of lower than expected sales volumes in any quarter.

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

**Links to applicable criteria:**

[Rating Methodology for Real Estate Entities](#)

[Impact of Parent or Group Support on an Issuer's Credit Rating](#)

### About the company:

Constituted as association of persons in 2007, Avinash Bhosale Group is currently undertaking luxury residential project in Bhosale Nagar, Pune. Swapnavishwa Group (land owner) holds 38% share in the firm and in the project whereas an ABIL Group company, Shahsbindu Constructions Private Limited, which is developing the project, holds remaining share in the firm. The project consists of 9 residential towers to be developed over 20 acres of land. The company has already completed four towers T1, T2, T3 and T4 with a total saleable area of 3.6 lakh sqft. Currently, the construction of T7 is underway which will have a total carpet area of 1.3 lakh sqft. The construction of other towers has not started yet. The firm has got a term loan of Rs. 80 crore for construction of T1, T4, T7 and EWS (Economically Weaker Section) buildings. EWS buildings have been completed and hand over of the same to Pune Municipal Corporation is under process.

## Key financial indicators

|                              | FY2016 | FY2017 |
|------------------------------|--------|--------|
| Operating Income (Rs. crore) | 40.5   | 180.7  |
| PAT (Rs. crore)              | 14.2   | 43.3   |
| OPBDIT/ OI (%)               | 52%    | 38%    |
| RoCE (%)                     | 28%    | 73%    |
| Total Debt/ TNW (times)      | 4.2    | -4.9   |
| Total Debt/ OPBDIT (times)   | 3.3    | 1.9    |
| Interest coverage (times)    | 5956.3 | NA     |

Source: ABG, ICRA research

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for last three years:

| Current Rating (FY2018)  |           |                          |                               |                             | Chronology of Rating History for the past 3 years |                         |                         |
|--------------------------|-----------|--------------------------|-------------------------------|-----------------------------|---|-------------------------|-------------------------|
| Instrument               | Type      | Amount Rated (Rs. crore) | Amount Outstanding (Rs Crore) | Date & Rating February 2018 | Date & Rating in FY2017                           | Date & Rating in FY2016 | Date & Rating in FY2015 |
| 1 Fund based – Term Loan | Long Term | 80.00                    | 57.00                         | [ICRA]BBB- (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](http://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<br>Source: ABG | Term Loan       | FY2016                      | 12.25%      | FY2020        | 80.00                    | [ICRA]BBB- (Stable)        |

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