

Ace Constructions

February 03, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	48.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	48.00 (Rs. Forty-Eight Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Ace Constructions (AC) to monitor the rating vide e-mail communications/letters dated September 01, 2022, October 07, 2022, December 31, 2022, January 24, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, AC has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AC's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings have been revised on account of non-availability of information due to non-cooperation by AC with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating continues to take into account moderate booking status, pending approvals and nascent stage of Phase II of the Gada Anutham Project, its presence in a highly competitive and cyclical real estate industry, and partnership nature of constitution. The ratings continue to derive strength from long track record of operations, extensive experience of promoters in real estate industry and strategic location of the project.

Detailed description of the key rating drivers

At the time of last rating on January 04, 2021 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Moderate booking status: AC is developing a real estate project "Gada Anutham" in two phases. The phase 1 of the project consists of two buildings. The construction of one of the building is completed and the other one is nearing completion. Further, the firm has sold all the flats available for sale to the developer admeasuring 0.84 Isf(lakh square feet) under Phase 1 of the project as on December 23, 2020 (as against approximately 0.57 Isf area sold as on September 30, 2019). The area sold of 0.84 Isf is approximately 36% of the total saleable area of 2.33 Isf under both the phases of the "Gada Anutham" project. Furthermore, around 97% of the sold flats have been registered leading to decrease in the risk of cancellations. Moreover, the firm has also allocated 0.15 Isf to MHADA (Maharashtra Housing and Area Developing Authority). The expected date of completion of Phase 1 of the project is December 2020.

Pending approvals for the phase II of the Gada Anutham project: The firm had received all the requisite approvals for 'Gada Anutham Phase I'. Further, 'Gada Anutham Phase II' was launched in June 2020 and the registration has been updated on MAHARERA. The firm has received approval for construction of one of the two buildings under Phase II of the project. However, commencement certificate is yet to be received. Moreover, the firm has applied for pending approvals for Phase II of the project at Pune Metropolitan Region Development Authority (PMRDA) and the approvals are under process.

Satisfactory project execution status: The revised total cost of "Gada Anutham" project is estimated at Rs.110.70 crore (as against estimated cost of Rs.105.70 crore as on September 30, 2019) to be funded by promoter's contribution, term loan and customer advances in the ratio of 0.24:0.48:0.28. The cost overrun is due to increase in construction cost of the phase I of the project, and is expected to be funded through promoter funds and loan of Rs.4.76 crore under COVID-19 scheme(Guaranteed Emergency Credit Limit) in line with the Atmanirbhar Bharat package announced by Government of India. As on September 30, 2020, the firm has incurred Rs.75.80 crore which is ~68% of the total cost of project (cost incurred as on September 30, 2019 is Rs.60.40 crore), which was funded through promoter's contribution, debt, creditors and customer advances in the ratio of 0.31:0.30:0.02:0.37. Given that the Phase 2 of the project is still at nascent stage with expected date of completion by June 2023, and on account of receipt of pending approvals. There persists significant execution risk. However, considering

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

achievement of financial closure for Phase II and the experience of the promoters in real estate business, the risk is mitigated to some extent.

Presence in competitive and cyclical real estate industry: The firm is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market. The real estate industry in India is highly fragmented with most of the real estate developers having region-specific presence. ACS also faces competition from other real-estate projects in the area.

Partnership nature of constitution: AC's constitution as a partnership firm restricts its access to external borrowing. Furthermore, the firm is exposed to inherent risk of partners' capital being withdrawn at time of personal contingency and the same limits the financial flexibility of the firm.

Key Rating Strengths

Long track record and experience of the promoters: AC, established in 2004, is part of the Pune (Maharashtra) based Gada group, which is promoted by Mr. Mukesh Gada, Mr. Kishor Gada and Mr. Nilesh Gada. AC is promoted by Mr. Nilesh Gada, Mr. Kishor Gada and Mr. Popatlal Hirji Shah as Partners. Till date the group has successfully developed about half million square feet of commercial and residential development in the city. Henceforth, the company is likely to be benefitted by extensive experience of promoters.

Strategic location of the projects: AC is developing a residential cum commercial project "Gada Anutham" in two phases "Gada Anutham Phase-I" and "Gada Anutham Phase-II" at Hadapsar, Pune. Hadapsar is an upcoming residential market. The project is expected to cater to the residents in the upper middle class family and is a luxurious housing project with modern amenities at 1BHK, 2BHK and 3BHK flats. In addition, the project is situated in area with easy access to basic civic amenities such as schools, hospitals, colleges, malls. Hadapsar is further surrounded by Mundhwa, Manjri, Ghorpadi and Mula river and is well connected to Magarpatta IT park which is a hub for many prestigious companies that attracts working class as well as public.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology for Real estate sector](#)

About the Company

AC, established in 2004, is a part of the Pune (Maharashtra) based Gada group. The Gada Group started real estate activity in 1997 and has successfully developed about 5 lakh square feet (Isf) of commercial and residential development in Pune, Maharashtra. The group has interest in property development and financial services. The firm is developing a residential cum commercial project "Gada Anutham" at Hadapsar, Pune in two phases. The project consists of 4 buildings offering premium 39(1BHK), 121 (2 BHK) & 88(3 BHK) apartments and 10 commercial shops and offices with a host of amenities.

Brief Financials (Rs. crore)	31-03-2018 (A)	31-03-2019 (A)
Total operating income	0.15	13.77
PBILDT	2.45	5.86
PAT	0.02	0.62
Overall gearing (times)	5.20	2.98
Interest coverage (times)	1.03	1.16

A: Audited; Financials for year ended 31-03-20, 31-03-21 and nine months period ended 31-12-2021 are not available.

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	IS IN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Dec 2022	48.00	CARE B+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating history				
		Type*	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	48.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (04-Jan-21)	1)CARE B+; Stable (27-Dec-19)	1)CARE B+; Stable (04-Jan-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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