ABIL Propcon LLP

April 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	150.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Total Bank Facilities	**150.00 (Rs. One hundred fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of ABIL Propcon LLP derives strength from being a part of established Pune based ABIL group, experienced promoters, moderate booking status, favourable location of the project, comfortable proposed sanction terms with long moratorium period and adequate liquidity position. The above strengths are however tempered by its, project execution risk with pending financial closure, marketing risk with no letter of intents in place for the leasable area of the project, high reliance on external borrowings and customer advances for completion of project. The rating also takes into account the geographical & asset concentration risk and partnership nature of constitution.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely execution of the project within the envisaged timelines with timely financial closure and sanctioned terms in line with the proposal along with substantial leasing of the space with letter of intents in place for 50% of the area and above.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significant delay in financial closure leading to delay in project execution
- Any incremental debt other than the envisaged resulting in deterioration in capital structure of the firm.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced & resourceful promoter group with established brand name of the company in the Maharashtra:

The firm is a Special Purpose Vehicle (SPV) of Pune based ABIL group which was formed in the year 1979 by Mr Avinash Nivrutti Bhosale and has its presence in real estate, hospitality & infrastructure development. The group has demonstrated strong project execution capabilities by completing over 50 real estate projects till date. The group is currently developing 64.48 lsf area comprising of commercial and residential projects through its various SPV's.

Favourable location of the project: ABIL Propcon LLP is developing a retail cum commercial project namely 'ABIL Boulevard' at Koregaon Park Annex, Pune, Maharashtra with a total saleable & leasable area of 6.06 lsf (including developer share of 4.61 lsf). The project would be a IGBC pre-certified platinum rated commercial space with 1 tower comprising of 3 Basement Floors, Ground Floor, 2 Podiums and 22 Upper Floors, having 5 retail units and 23 office units. The project is located at Koregaon Park, Pune. There are several high residential complexes, 5-star hotels and commercial properties in close vicinity of the project, thus creating demand for premium office spaces. The project is adjacent to Westin Pune Hotel, which is one of the most prominent 5- star Deluxe Hotel of Pune. It will also have good connectivity with the airport and the railway station.

Comfortable sanction terms: As per the proposed terms, the firm enjoys long moratorium period till FY26 and the proposed rate of interest is 10.25%. The proposed debt is expected to repay in four equal quarterly instalments commencing from Q1FY27.

Key Rating Weaknesses

Moderate booking status of the saleable area, however no letter on intents in place for the leasable area: The project will have 1.31 lsf of saleable area (28% of total area) and 3.30 lsf of leasable area (72% of total area). The sales status remained moderate with overall bookings of 79% of saleable area as on February 28, 2022, despite being in the nascent stage. However, the firm has higher portion of leasable area which it expects to be leased out by September 2024 onwards at an annual escalation of 5%. Currently, the firm has not received any letter of intent for leasing of the space, leading to uncertainty regarding the occupancy levels of the project and the lease rentals. Considering the prime location of the property and extensive experience of the group, the firm is expected to lease out the space substantially once the construction of the property moves to an advanced stage. However, timely execution of lease agreements shall be a key rating monitorable.

Project execution risk emanating from nascent stage of construction with pending financial closure: The firm is exposed to execution risk with balance cost of around 68% of the total project cost yet to be incurred for the ongoing project. As on February 28, 2022, the total cost of construction has been funded through a mix of 46% of promoter's fund, and balance

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

through customer advances. The financial closure for the project has not been achieved yet. As on February 28, 2022 the company has completed RCC work for 3 basements, Ground, 2 podiums and 10 Upper Floors. RCC Work for 11th Floor is partially done and block work for 1st and 2nd floor is in progress. The project is expected to be completed by March 2025.

Commercial real estate outlook: On the commercial leasing segment, CARE Ratings Ltd believes outlook to remain fairly stable. On account of covid-19 pandemic, the occupancies though have not been majorly impacted for grade A office spaces, an uptick was witnessed in overall office vacancy levels as companies re-considered their office space needs. Nevertheless, the leasing activity which was completely halted by the pandemic during lockdown phase, has witnessed heightened activity in office spaces since H2CY21.

Constitution as a partnership firm: Due to the constitution of the firm, they are exposed to the risk of withdrawal of capital by the partners. Any substantial withdrawals from capital account would impact the net worth and thereby the gearing levels.

Liquidity: Adequate

The liquidity of the company remains adequate as reflected by moderate booking status, satisfactory cash & bank balance of around Rs. 6.28 crore as on March 15, 2022. The receivables from sold inventory as on February 28, 2022, stood at about Rs. 60.80 crore. Hence, the firm has sufficient liquidity support in the form of customer advances as against repayment obligation of Rs 150 crore, which is expected to repay in four equal quarterly instalments commencing from Q1FY27. As per the proposed terms, the firm enjoys long moratorium period till FY26. Thus, with no repayments due over next four years, continued support from group, and adequate free liquid cushion maintained, the company has adequate financial flexibility to serve the debt commitments in the medium term.

Analytical approach: Standalone

Applicable Criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating methodology for Real estate sector
Rating methodology: Notching by factoring linkages in rating

About the Company

ABIL Propcon LLP was originally established as a partnership firm via partnership deed dated April 07, 2011. Later, on June 13, 2019, the firm was registered under LLP Act. ABIL Propcon LLP is a SPV of Pune based ABIL Group for developing a retail cum commercial project namely 'ABIL Boulevard' at Koregaon Park Annex, Pune, Maharashtra.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	-	-	NA
PBILDT	-	-0.18	NA
PAT	-	-	NA
Overall gearing (times)	2.11	0.19	NA
Interest coverage (times)	-	-	NA

A: Audited (Project stage company), NA: 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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan (Proposed)		-	-	-	150.00	CARE BBB-; Stable

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	150.00	CARE BBB-; Stable				

* 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: Not applicable

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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