

May 29, 2013

CARE ASSIGNS 'CARE BB-' RATING TO THE BANK FACILITIES OF ARG DEVELOPERS PRIVATE LIMITED

Rating

| Facilities | Amount (Rs. Crore) | Rating ¹ | Remarks |
|---------------------------|--------------------|---------------------------|----------|
| Long-term Bank Facilities | 15.67 | CARE BB- (Double B Minus) | Assigned |
| Total | 15.67 | | |

Rating Rationale

The rating assigned to the bank facilities of ARG Developers Private Limited (ADPL) is primarily constrained on account of the saleability and implementation risk associated with its ongoing real estate projects – ARG Divine Enclave (ADE) and ARG North Avenue (ANA), for the construction of residential and commercial complex, respectively, and lower booking status in the ADE project. The rating is further constrained on account of the fluctuating profitability coupled with moderately weak solvency position and inherent risk associated with the cyclical real estate sector.

The rating, however, derives strength from the experienced management with established track record of the ARG group in the real estate business and moderate booking status of the ANA project.

The ability of ADPL to successfully complete its on-going project without any time and cost overrun alongwith the timely receipt of the booking advances are the key rating sensitivities.

Background

ADPL was initially incorporated in 2007 with the name of ARG Developer Private Limited. Later on, in the year 2008, the name of the company was changed to its current name, ADPL. ADPL is a part of the ARG group, incorporated with the objective to develop real estate projects. The company has executed some projects which include “Dindayal City Mall” at Gwalior and one residential complex and two commercial complexes at Jaipur. At present, ADPL is working on one residential project namely ADE project and one commercial project ANA project at Jaipur.

About ADE

In 2008, ADPL started work on ADE project to construct a residential complex consisting of 198 residential flats (27 flats -1 BHK, 117 flats - 2 BHK and 54 flats - 3 BHK). Thereafter, due to recessionary period, the work on project was postponed and again started from 2010 which was expected to be completed in August 2013. The total saleable area of the project would be 2.01 lakh sq ft. (lsf). The envisaged project cost of Rs.31.28 crore is proposed to be funded through the promoter’s fund of Rs.2.57 crore, unsecured loans from the promoters of Rs.4.95 crore, bank loan of Rs.20 crore and remaining through customer’s advances. The total expenditure incurred until March 31, 2013 was Rs.28.47 crore.

About ANA

In 2009, the company started work on ANA Project under joint venture with Rochees Malls Private Limited (RMPL). Thereafter, due to recessionary period, the work on the project was postponed and again started from 2011 which was expected to be complete in November 2013. The project consists of construction of 205 different-sized offices /shops with a total saleable area of 1.80 lsf. The complex would be constructed into two phases with the total envisaged cost of Rs.43.15 crore. Phase-I includes 102 units and Phase-II includes 103 units. In Phase-I, construction work is almost at completion stage, and in Phase-II, approximately 50% work has been completed as on April 30, 2013. According to the joint venture agreement, RMPL has provided land to ADPL to construct the said property, in consideration of right to sale 43% of the total saleable area of Phase-I i.e. 0.57 lsf (43% of saleable area of phase I of 1.32 lsf) and book that revenue directly in the books of RMPL. The envisaged project cost of Rs.43.15 crore is proposed to be funded through the promoter’s fund of Rs.2.75 crore, unsecured loans from the promoters of Rs.5 crore, term loan of Rs.10.32 crore and customer’s advances of Rs.25.08 crore. The total expenditure incurred until April 30, 2013 was Rs.30.95 crore.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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