

ARG Developers Private Limited

April 5, 2018

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	49.37	CARE BB-; Stable: ISSUER NOT COOPERATING* [Double B Minus (Outlook: Stable); ISSUER NOT COOPERATING*]	Issuer not cooperating; Revised from CARE BB; Stable (Double B; Outlook: Stable) on the basis of best available information
Total Facilities	49.37 (Rupees Forty nine crore and thirty seven lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from ARG Developers Private Limited (ADPL) to monitor the rating vide e-mail communications/ letters dated February 05, 2018, February 22, 2018, February 24, 2018, March 09, 2018 and numerous phone calls. **However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings.** In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on ADPL's bank facilities will now be denoted as **CARE BB-; Stable: ISSUER NOT COOPERATING.**

The rating has been revised on account of decline in Total Operating Income (TOI) in FY17 over FY16 as well as deterioration in the solvency position of the company in FY17.

The rating assigned to the bank facilities of ADPL continues to remain constrained on account of risk associated with the implementation of its ongoing residential real estate project and saleability risk associated with un-booked units. The rating is further constrained on account of inherent risks associated with the real estate sector.

The rating, however, continues to derive strength from the experienced management with established track record of operations of ARG Group (ARG) and moderate booking status of completed projects.

The ability of ADPL to successfully complete its ongoing project within envisaged time and cost parameters, sale of units at envisaged price and timely receipt of the booking advances would be key rating sensitivities.

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

Detail description of the key rating drivers

At the time of last rating on April 13, 2017, the following were the rating strengths and weaknesses (updated for the information available from company).

Key Rating Weaknesses

Decline in TOI with deterioration in solvency position in FY17

Total Operating Income (TOI) of ADPL declined by 25.51% to Rs.16.67 crore in FY17. Although PBILDT margin of the company increased by 3430 bps to 86.34% in FY17, PAT margins declined by 174 bps to 1.76%. Further, Overall gearing of the company deteriorated from 3.79 times as on March 31, 2016 to 4.71 times as on March 31, 2017. Debt coverage indicators of the company also remained weak in FY17.

Slow movement in booking of residential flats in 'ARG ONE Hi-End project' and lower receipts of booking advances

The movement in the booking of its projects was slow as till February 28, 2017, ADPL has booked only 12 units in ARG ONE project till February 28, 2017 as against 8 units till February 29, 2016. The company has received booking advance (for ARG ONE project) of Rs.8.36 crore (20% of the booked value of units) till February 28, 2017, as against Rs.4.10 crore (16% of the booked value of units) till February 29, 2016, as the payment schedule is linked with the stage of completion and considering the completion stage of the project booking advances are lower.

Project implementation risk with on-going project

The ARG ONE project of ADPL is envisaged to be completed by March, 2018 with total cost of Rs.78.37 envisaged to be funded through bank borrowings of Rs.32 crore, promoters' funds of Rs.15.50 crore and remaining Rs.30.87 crore through customer advances. ADPL has incurred total cost of Rs.36.89 crore towards the project which was financed through promoter's fund of Rs.15.50 crore, term loan of Rs.15.10 crore, and remaining Rs.6.29 crore through customer advances.

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

However, risk of time overruns due to any unforeseen circumstance/event or cost overruns due to hike in prices of material and labour is still persist in the project. Furthermore, any delay in receipt of customer advances can result to delay in timely completion of project.

Key Rating Strengths

Experienced management and established track record of operations of 'ARG Group'

Being a part of ARG Group, ADPL is benefited in the form of experienced management and established track record of operations in various types of project execution. ARG Group has presence of more than two decades in the real estate industry, being engaged in the real estate activity since 1992. During this period, the group has executed around 24 projects at Jaipur, Kota and Gwalior with development of residential complex, commercial complex and shopping mall cum multiplex. The prestigious projects executed by the group in the past were construction of 'City Mall' at Kota and 'Dindayal City Mall' at Gwalior.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Service Sector Companies](#)

About the Company

ARG Developers Private Limited (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 converted and assumed its current name ADPL. ADPL is a flagship company of ARG Group, incorporated with the objective to work on the real estate projects. The company has executed some projects which include 3 residential and 3 commercial projects at Jaipur and Gwalior. At present, ADPL is working on ultra-luxury residential project with total saleable area of around 2.54 lakh square feet (lsf) having 62 flats.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	22.38	16.67
PBILDT	11.65	14.40
PAT	0.78	0.29
Overall gearing (times)	3.79	4.71
Interest coverage (times)	0.97	1.00

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Feb, 2020	27.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	March, 2021	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Fund-based-Long Term	-	-	April, 2018	12.37	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information

*Issuer did not cooperate; Based on best available information

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based-Long Term	LT	12.37	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (13-Apr-17)	1)CARE BB (07-Apr-16)	1)CARE BB (07-May-15)

2.	Fund-based - LT-Term Loan	LT	27.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (13-Apr-17)	1)CARE BB (07-Apr-16)	1)CARE BB (07-May-15)
3.	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (13-Apr-17)	1)CARE BB (07-Apr-16)	1)CARE BB (07-May-15)
4.	Fund-based - LT-Term Loan	LT	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (13-Apr-17)	-	-

**Issuer did not cooperate; Based on best available information*

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