

ARG Developers Private Limited

April 13, 2017

Rating

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|---|--|---------------|
| Long-term Bank Facilities | 49.37 | CARE BB; Stable (Double B; Outlook: Stable) | Reaffirmed |
| 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

The rating assigned to the bank facilities of ARG Developers Private Limited (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.

Detailed description of the key rating drivers

Key Rating Weaknesses

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. 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

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

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

[Rating Methodology-Service Sector Companies](#)

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

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

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. 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. As per the audited results for FY16 (refers to the period April 1 to March 31), ADPL reported a TOI of Rs.22.38 crore (FY15: Rs.45.25 crore) and PAT of Rs.0.78 crore (FY15: Rs.2.66 crore).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

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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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-Long-term | - | - | April, 2018 | 12.37 | CARE BB; Stable |
| Fund-based - LT-Term Loan | - | - | Feb, 2020 | 27.00 | CARE BB; Stable |
| Fund-based - LT-Bank Overdraft | - | - | - | 5.00 | CARE BB; Stable |
| Fund-based - LT-Term Loan | - | - | March, 2021 | 5.00 | CARE BB; 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 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund-based-Long-term | LT | 12.37 | CARE BB; Stable | - | 1)CARE BB (07-Apr-16) | 1)CARE BB (07-May-15) | 1)CARE BB (31-Mar-15) |
| 2. | Fund-based - LT-Term Loan | LT | 27.00 | CARE BB; Stable | - | 1)CARE BB (07-Apr-16) | 1)CARE BB (07-May-15) | - |
| 3. | Fund-based - LT-Bank Overdraft | LT | 5.00 | CARE BB; Stable | - | 1)CARE BB (07-Apr-16) | 1)CARE BB (07-May-15) | - |
| 4. | Fund-based - LT-Term Loan | LT | 5.00 | CARE BB; Stable | - | - | - | - |

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