

Anant Raj Limited

May 11, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	1104.36 (Rupees One Thousand one hundred and four cr and thirty six lakh only)	CARE BBB; Negative (Triple B; Outlook: Negative)	Reaffirmed
Long-term Instruments (Non-Convertible Debentures)	-	-	Withdrawn*

*Rating for NCDs shall be withdrawn as the company has fully repaid the same during FY17 as per Intimation submitted by ARL to BSE and as per CARE's policy.

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Anant Raj Limited (ARL) continues to factor in the group's experience in the real estate sector, moderate booking status of existing projects and comfortable capital structure. The ratings also factors in the financial flexibility provided by the land bank in Delhi/NCR, portfolio of completed commercial assets and monetization of the same as in the past.

However, the rating continues to take into account the stagnancy in booking status from existing projects coupled with reduction in collections levels and continued moderation in financial performance during FY16 and 9MFY17. Further, these rating strengths are partially offset by the slower execution in projects, high debt repayments in the near-term and overall subdued demand scenario in the real estate sector.

Going forward, the ability of ARL to timely execute projects within scheduled costs, realization of envisaged sales and monetization of the available asset base shall be the key rating sensitivities.

Outlook: Negative

The outlook is "Negative" on the back of moderation in financial risk profile amidst subdued demand in the real estate sector which may have a further adverse impact on the collections and future sales of the company thereby limiting the company's financial flexibility for meeting its debt repayment obligations. The outlook may be revised to stable with timely pick up in the sales momentum, leading to adequate collection of customer advances and generation cash flow from sale of assets.

Detailed description of the key rating drivers

Key Rating strengths

Experienced management and sound track record: ARL is managed by the Sarin family and derives strength from experience of the founder promoter and Chairman, Mr. Ashok Sarin, who has experience of over four decades in the field of construction and real estate development. As on March 31, 2016, ARL has completed development of about 200 lac square feet (lsf) as a real estate developer. ARL has a portfolio of leasable properties (currently vacant) including an IT park, SEZ, six small-to-medium sized hospitality and three commercial offices/malls with total lease potential of 36 lsf.

Availability of sizeable land bank primarily in Delhi &NCR: ARL has a total land bank of over 1,038 acres primarily in Delhi & NCR including prominent locations such as NH-8 and HauzKhas in Delhi of which 208 acres is being utilized for on-going projects.

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

Key Rating weakness

Continued moderation in financial performance in FY16: The company witnessed decline in the operating income and profitability margins in FY16. The external debt has increased leading to marginal elevation in overall gearing levels from 0.32x as on Mar 31, 2015 to 0.35x as on Mar 31, 2016.

High debt repayments in near term: ARL has high debt repayment obligation in the short to medium term period with principle repayments of Rs.331 cr for FY17.

Slow pace of execution coupled with slowdown in collections & booking status: The company is currently developing three residential projects with aggregate saleable area of 89 lsf and aggregate project cost of Rs.3,783 cr. There has been slowdown in project execution with 55% of project cost incurred till Dec-16 as against 49% till Sept-15. With balance cost of Rs.1,684 cr to be incurred, the company remains exposed to project execution risk. Further, there has been slowdown in sales momentum with 73% area sold (36.20 lsf) till Dec-16 as against 70% (34.72 lsf) till Sept-15.

Subdued demand scenario: The industry has witnessed muted housing demand during recent past. Going forward, demonetisation is expected to further dampen demand and negatively impact prices in the sector.

Analytical approach: Consolidated; the business and financial risk profiles of Anant Raj Ltd and its subsidiaries and associates have been combined. This is because all these entities, collectively referred to as the Anant Raj group, have business and financial linkages (as is also evident from investments made), and are under a common management. Moreover, ARL has extended unconditional and irrevocable corporate guarantee to the debt availed in Rolling Construction Ltd.

Applicable Criteria

[CARE's policy on Default recognition](#)

[Financial Ratios](#)

[CARE's criteria on assigning outlook to credit ratings](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

About the Company

Anant Raj Limited (ARL) (name changed to Anant Raj Limited from Anant Raj Industries Limited in October 2012), the flagship company of the Anant Raj Group, was incorporated in 1985 and went public in 1989. Initially, ARL was mainly engaged in the business of manufacturing ceramic tiles (business closed during FY13-refers to the period April 1 to March 31). The Group had its footprints in real estate development and construction since 1969 and is amongst the oldest development and construction group in the National Capital Region (NCR) with over four decades of experience.

Status of non-cooperation with previous CRA: NA

Any other information: NA

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum

of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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	-	-	-	754.36	CARE BBB; Negative
Fund-based - LT-Term Loan	-	-	-	250.00	CARE BBB; Negative
Fund-based - LT-Cash Credit	-	-	-	100.00	CARE BBB; Negative
Debentures-Non Convertible Debentures	-	-	-	0.00	Withdrawn

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	754.36	CARE BBB; Negative	-	1)CARE BBB (09-May-16)	-	1)CARE BBB+ (20-Jan-15)
2.	Fund-based - LT-Term Loan	LT	250.00	CARE BBB; Negative	-	1)CARE BBB (09-May-16)	-	1)CARE BBB+ (20-Jan-15)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (20-Jan-15)
4.	Fund-based - LT-Cash Credit	LT	100.00	CARE BBB; Negative	-	1)CARE BBB (09-May-16)	-	1)CARE BBB+ (20-Jan-15)
5.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE BBB (09-May-16)	-	1)CARE BBB+ (20-Jan-15)

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