



## Press Release

### Ashapura Options Private Limited

June 04, 2020

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Bank Facilities- Long Term	735.00	IVR BBB-/Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook).	Assigned
<b>Total</b>	<b>735.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The aforesaid rating assigned to the proposed bank facilities of Ashapura Options Private Limited (AOPL) derives comfort from its experienced promoters and from past proven track record of A&O group, comfortable project cost structure and favorable location of the project. However, the rating strengths are partially offset by project execution risk and exposure to risks relating to cyclicalities in real estate industry and availability of regulatory risk.

#### Key Rating Sensitivities

##### Upward Factors

- Timely sanction of funding and progress made in completion of the projects
- Minimum 75% of Sale of inventory at competitive rates

##### Downward Factors

- Significant delay in sanction of committed lines of funding.
- Delay in completion of project.
- Significant cost overrun of the project.
- Lower than expected booking status.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### **Established track record and resourceful promoter group:**

Ashapura group, founded by Mr. Chetan Sunderji Bhanushali, is a well-established group having business vintage of more than 10 years in real estate development with an expertise



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in Slum Rehabilitation Authority (SRA) projects and Options group, founded by Mr. Girish Patel, is a retail brand since 1985 and made its foray in real estate development in 2005. Presently the group is managed by Mr. Pravin Girish, son of Mr. Girish Patel.

In 2008, the two groups started executing projects together under the brand name A & O Realty. The group has come together with the purpose of providing affordable housing to masses by executing various SRA & re-development projects. Presently there are ~08 ongoing projects at different stages of construction. It has developed around 55.67l sf of saleable Carpet Area till date, of which around 67.16% comprises commercial development and the balance residential development. Most of the development has been in Mumbai, which has helped create a good brand in the market. Ashapura Options Private Limited is the flagship company of the group. On the back of group's established track record of successful project execution and brand presence along financial backing from promoter group will continue to support its business risk profile over medium term.

### **Favourable project location**

A&O Realty group through its entity Ashapura Options Private Limited is developing the Project 'f Residences Borivali' located at Devipada, Borivali East Mumbai. The project has four residential towers (each with fifty floors, seven podiums and a ground floor) and two towers for rehabilitation containing 1736 tenements (Tower 2A with ground + 23 habitable floors and Tower 2B with ground + 22 habitable floors).

Project location is surrounded by all basic necessities and facilities such as schools, hospitals, restaurants, malls, entertainment, ATM's, Bank, Medical stores etc. which can be accessible easily. Also, the project is having connectivity with Domestic and International Airport, Railways, Roads and proposed metro line along with sharing boundaries with National Park, which makes favorable location.

### **Comfortable project cost structure**

The company is developing a Slum redevelopment residential project, 'F-residencies' located at Devipada, Borivali East Mumbai. The project is proposed to be funded through



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mix of customer advances, debt and capital including inter corporate deposits. Total estimated cost of the project is Rs.1500.61 Cr, which is projected to meet through promoters' fund of Rs.18.92 Cr, debt of Rs.735.00 Cr, ICD of Rs.365.64Cr and rest Rs.381 Cr is from customer advances. Loan amount to total cost of project is 48.98% and Promoter and other funds to total cost is 51.02%.

### **Key Weaknesses**

#### **Project execution risk**

AOPL is currently executing Slum redevelopment residential project 'F-Residencies', for which all of required slum clearances has been received. Also, the developer has already received OC for its Rehab Building A for 660 flats. Rehab Building B along with Sale Tower 1 to 4 is proposed to launch in the month of August'20 and scheduled to complete the Rehab Building by October' 2021 and Sale Building 1 to 4 in April' 2022. The long implementation period makes the company susceptible to time and cost overruns, which may affect profitability. Although, operational ability to sell the units is key to meet the debt obligation on time. The traction in receipt of customer advances is dependent on project completion. The company's ability to execute projects as per schedule is highly dependent on timely receipt of regulatory approvals along with customer advances, which forms major portion of the total funding requirement of the projects.

#### **Exposure to risks relating to cyclicity in real estate industry**

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realization and saleability. This may affect the debt servicing ability of the company. AOPL will remain susceptible to the inherent cyclicity in the real estate sector. Further, the industry is exposed to regulatory risk which is likely to impact players like A & O thereby impacting its operating capabilities.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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### **Liquidity: Adequate**

Ashapura Options Pvt Ltd is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. In addition, availability of Inter corporate deposits against the area assigned will ensure the further liquidity for project funding and repayment. Further, the company is likely to be benefited from the resourcefulness of the promoter group. Overall liquidity position is expected to remain adequate.

### **About the Company**

Incorporated in 2008, Ashapura Options Pvt Ltd is a flagship Company of A & O group. At present, Ashapura Options Pvt Ltd developing a Slum redevelopment residential project, 'F-residencies' located at Devipada, Borivali East in a plot area of 30,478 Sq. Mt. The company has executed joint development agreement dated 14/12/2011 for the project of Devipada, Borivali, under Slum redevelopment agreement scheme. The company is developing the project under the SRA scheme, which comprises of 4 sale building and 2 Rehab buildings. As on March 31, 2020, the developer has constructed Rehab Building 2A and 660 families has got possession. Remaining construction of Rehab Building 2B and Sale Building (4 Towers) construction are proposed to start from May' 2020 onwards.

### **Financials (Standalone Basis)**

<b>For the year ended / As On</b>	<b>(Rs. crore)</b>	
	<b>31-03-2018 (Audited)</b>	<b>31-03-2019 (Audited)</b>
Total Operating Income	26.09	30.55
EBITDA	2.22	2.26
PAT	1.72	3.40
Total Debt	30.13	7.29
Tangible Networkth	13.49	16.86
EBITDA Margin (%)	8.51	7.41
PAT Margin (%)	5.02	8.54
Overall Gearing Ratio (x)	2.23	0.43

**Status of non-cooperation with previous CRA:** None

**Any other information:** N.A



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### Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	735.00*	IVR BBB- /Stable Outlook	-	-	-

\*Proposed Loan.

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term - Proposed Term Loan	-	-	-	735.00	IVR BBB-/Stable Outlook