



Press Release

Assotech Sun Growth Abode LLP

March 11, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	100.00 (including proposed limit of Rs. 75 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Total	100.00 (INR hundred crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facility of Assotech Sun Growth Abode LLP (ASGAL) derives strength from satisfactory execution track record of the group in the real estate industry. The rating also favourably factors in favourable location of the projects with proximity to some of the prominent employment centres, favourable saleability of the projects and maintenance of escrow account. However, these rating strengths are constrained due to geographical concentration risk, project implementation risk, exposure to risks relating to cyclicity in real estate industry and risk associated with the inherent nature of the partnership constitution of the firm.

Key Rating Sensitivities:

Upward Factors

- Timely receipt of customer advances
- Improvement in financial risk profile
- Scheduled completion of ongoing projects

Downward Factors

- Significant delay in disbursement of committed lines of funding
- Weaker than anticipated sales performance and lower than expected collections which may lead to increased funding risk
- Time and cost overrun in the project



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Satisfactory execution track record of the group in the real estate industry**

The promoters have a satisfactory record of executing residential and commercial real estate projects since two decades. The group has completed 8 projects in NCR region, Gwalior, and Bhubaneswar, further, 8 projects are in pipeline.

- **Locational advantage of the project**

The projects are located in developed area of Ranchi and Bhubaneswar with upper class locality and have good marketability feature. The projects are also in the vicinity of local market with easy accessibility to railway station and airport.

- **Moderate project cost structure & favorable saleability**

The total cost envisaged to the project is Rs.1085.73 Cr, which is projected to be met through partner's contribution of Rs.73.19 Cr, unsecured loan of Rs.6.52 Cr, term loan of Rs.35.00 Cr and customer advances of Rs.971.02 Cr. The loan amount to total cost of the project is ~3.22%, while the promoters' fund and other funds constitute ~7.34%. The remaining amount is from customer advance. Debt equity ratio of the project is 0.57x. As on date, the handover of the project, "Assotech Pride, Phase 1, Bhubaneswar" is going on, (hand over started from December 2023) and the handover of the project "Assotech Hills, Sector-1, Ranchi is about to start. Again, out of the 2516 units, 1869 units have been sold, which is ~74%. The remaining ~26% are still pending for sale. As on January 31, 2024, the total sale value of the project is Rs.1695.81 Cr, out of which the value of sold units is Rs.1163.48 Cr of which the firm has received Rs.778.48 Cr (demand raised Rs.814.50 Cr). The timely receipt of customer advances and booking money received would be key monitorable going forward.

- **Maintenance of escrow account**

The revenue of the project will be routed through an escrow account maintained with the bank. The withdrawals from account will be as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses.



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Key Rating Weaknesses

- **Geographical concentration risk**

Since all the projects are being executed in Ranchi and Bhubaneswar, the firm is exposed to geographical concentration risk. The fortunes of the projects therefore will depend on the overall market sentiment in the region.

- **Project Implementation Risk**

The projects namely “Assotech Hills Sector 2” and “Assotech Pride Phase 1 extension” are in their initial construction stage which indicate a high degree of project implementation risk. However, the Assotech group has vast experience in real estate sector which imparts some comfort.

- **Exposure to risks relating to cyclicity in the real estate industry**

Being a cyclical industry, real estate depends on macro-economic factors and the firm's dependence on a particular geography further heightens such risk. The real estate industry also remains susceptible to regulatory risk. Cumulatively, these may have a material bearing on the real estate project cash flows. This may impact the debt servicing ability of the firm. Managing the same thus remains critical.

- **Partnership nature of constitution**

Given ASGAL's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The adequate liquidity position of the firm is on account of the total cash inflow during FY24 is expected to be Rs.336.69 Cr as against a total outflow of Rs.265.21 Cr, thereby having a surplus of Rs.71.48 Cr and an average cumulative cash flow coverage ratio of 1.46 times.



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Further, the firm is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings. In addition, availability of escrow account will ensure the smooth repayments. Further, the firm is likely to benefit from the resourcefulness of the partners' group.

About the Company

Incorporated in 2012, Assotech Sun Growth Abode LLP (ASGAL) is a partnership firm, which is engaged in the business of construction of several residential projects. Currently, the firm is headed by its partners Ms. Shivani Priyam and Ms. Enakshi Priyam. The firm is developing four projects "Assotech Hills, Sector 1" and "Assotech Hills, Sector 2" in Ranchi and "Assotech Pride, Phase 1" and "Assotech Pride, Phase 1 Extension" in Bhubaneswar. Furthermore, the firm is planning to start another project "7th Avenue, Bhubaneshwar" from April 2024 onwards.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	126.91	169.61
EBITDA	4.34	14.92
PAT	2.32	8.29
Total Debt	9.10	6.20
Tangible Net worth	4.16	16.95
EBITDA Margin (%)	3.42	8.80
PAT Margin (%)	1.78	4.83
Overall Gearing Ratio (x)	2.19	0.37

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	25.00	IVR BBB-/ Stable	-	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
2.	Proposed Term Loan	Long Term	75.00	IVR BBB-/ Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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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
Term Loan	-	-	October 2026	25.00	IVR BBB-/ Stable
Proposed Term Loan	-	-	-	75.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-ASGALLP-11march24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.