



Press Release

ATCO Projects Private Limited (APPL)

November 27, 2024

Ratings

Instrument/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities	95.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Total	95.00 (Ninety-Five Crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to the bank facilities of ATCO Projects Private Limited (APPL) based on strengths derived from experienced promoters & proven track record in real estate industry, healthy sales velocity in ongoing projects, funding tie-ups for ongoing project – ATCO La Vivant and locational advantages of the project. The rating is however constrained by geographical concentration risk, project implementation risk & dependency on customer advances and exposure to risks relating to cyclicalities in real estate industry.

The stable outlook reflects the fact that the entity will continue to benefit from the experienced promoters & proven track record in real estate industry.

Key Rating Sensitivities:

Upward Factors

- Improvement in the sales velocity and collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.

Downward Factors

- Weaker-than-anticipated sales performance and lower-than-expected collections which may lead to increased funding risk would be a negative trigger.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters & proven track record in real estate industry**

ATCO Projects Private Limited belongs to ATCO group New Delhi. The group has an established track record of around a decade of executing projects in cities like Patna, Muzaffarnagar and Bengaluru. APPL has successfully developed, either singularly or under joint development projects of ~ 6 lakh square feet (lsf) in the past. Out of these, APPL has sold almost entire inventory as of date. This shows a strong execution and marketing capabilities of the group. Also, Project ATCO La Vivant which is current project under development has a total saleable area of ~ 12 lsf. It is pertinent to note that the experienced promoters provide a strong support for marketability of the projects in real estate micro markets.

- **Healthy sales velocity in ongoing projects**

APPL has shown a healthy sales velocity in its under-construction project ATCO La Vivant. APPL has sold around 146 units till October 2024 out of a total of 521 units (~ 28%) , with a run rate of ~ 9 units per month in the past 16 months ended October 2024 . APPL has received Rs. 41.19 crore as booking amounts for these units and the balance committed receivable of Rs.181.08 crore against these sold units, which covers ~ 48% of the balance project cost.

- **Funding tie-ups for ongoing project – ATCO La Vivant**

APPL has tied up Rs.95 crore of term loan with banks for construction of Project ATCO La Vivant and the repayments for project will commence from quarter ending June 2028.This is approximately 20% of the construction cost of Rs.475 crore. The remaining costs will be financed by equity Rs. 25.00 crore – 5% and customer advances Rs.355 crore– 75%.

- **Locational advantages of the project**

The ongoing project ATCO La Vivant is a residential project located off Sarjapur -Attibele Road, BEML cooperative society layout, Bangalore, Karnataka. The subject property can be accessed via an internal road connecting to Sarjapur - Attibele Road. The Sarjapur -



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Attibele Road connects to Sarjapur in the North and Hosur Road in the South which further enhances its connectivity to other parts of the city. In recent years, the subject micro market has experienced an unprecedented demand for residential dwelling units, establishing itself as one of the most sought-after housing locations. Electronic City located near Attibele along Hosur Road, features Bengaluru's second-largest concentration of IT businesses. Location plays a critical role in saleability in case of real estate markets.

Key Rating Weaknesses

- **Geographical concentration risk**

Currently, all the Company's projects - completed and ongoing are in Bengaluru, Karnataka. Since all of the Company's projects are being executed in Bengaluru micro market, it is exposed to geographical concentration risk. Fortunes of the project therefore will depend on the overall market sentiment in the region.

- **Project implementation risk & dependency on customer advances**

'Project ATCO La Vivant' is still in under early stages of construction. Out of total construction cost of Rs. 475 crore, the Company has incurred Rs. 69.00 crore or ~ 15%. The total cost of project including interest costs is Rs.475.00 to be funded by Equity contribution of Rs. 25.00 crore (5%), Term Loan Rs.95.00 crore (20%) and customer advances ~ Rs. 355.00 crore (75%). Thus, substantial portion of the project is funded by customer advances. Selling the units as per schedule at attractive prices will ensure steady flow of cash flow barring which, project implementation may be jeopardized.

- **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 impact the debt servicing ability of the company. APPL will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Real Estate Companies.](#)

[Criteria of assigning Rating Outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

Liquidity – Adequate

APPL's liquidity is adequate. In FY24 [refers to period April 1, 2023, to Mar 31, 2024] the Company's gross cash accruals net of interest payments are Rs. 2.15 crore against repayment obligations of Rs. 0.11 crore with a moderate cash balance of ~ Rs.17.67 crore. The project cost of ATCO La Vivant will be partly financed by Term Loan of Rs. 95.00 crore, the repayment of which would start in June 2028. The average cash flow cover of the project La Vivant is 1.19x. The current ratio of the Company was 1.38x as on 31st March 2024.

About the Company

ATCO Projects Private Limited is a real estate developer with its registered office in New Delhi. The Company has developed, either individually or under joint development agreement, total saleable area of ~ 6 lakh square feet (Isf). The Company has recently completed Project ATCO Sapphire in FY23 [refers to period April 1, 2022, to Mar 31, 2023] in the Bengaluru city. The project has saleable area of ~ 2.17 Isf. The promoters of the Company are Ram Krishnan Kumar & Mr. Gaurav Kumar Gupta. They have vast experience in the real estate industry.

The Project La Vivant is a joint development project between ATCO Projects Private Limited & ATCO Infrastructure Private Limited. spread across ~ 12 acres and is situated at Handenahalli village, Satjapura Hobli, Anekal Taluk in the state of Karnataka. The project consists of development of Villas – 137 units and Villaments- 384 totalling 521 units. The Villas are constructed in Ground+ 2 floors format & Villaments are constructed in Ground + 5 format.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	7.03	16.94
EBITDA	1.22	4.50
PAT	0.74	2.01
Total Debt	5.51	22.73
Tangible Net Worth	5.50	7.52
EBITDA Margin (%)	17.29%	26.57%
PAT Margin (%)	10.50%	11.84%
Overall Gearing Ratio (x)	1.00x	3.02x
Interest Coverage (x)	17.53x	2.93x

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Facilities – Term Loan	Long Term	95.00	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).



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	-	-	-	March 2029	95.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ATCO-Projects-27nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable



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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.