



Press Release

Agra Development Authority

April 12, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Proposed Long Term Bank Facilities	435.00	^Provisional IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	Assigned	Simple
Total	435.00	Rupees Four Hundred Thirty Five Crore Only		

Details of Facilities are in Annexure 1

^A prefix of 'Provisional' indicates that the rating is contingent upon occurrence of certain steps or execution of certain documents by the issuer, as applicable, without which the rating would either have been different or not assigned. This is in compliance with the April 27, 2021, circular 'Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments' by Securities and Exchange Board of India (SEBI).

Detailed Rationale

Infomerics Ratings (IVR) has assigned long-term rating of Provisional IVR BBB with a Stable outlook for the proposed bank loan facilities of Agra Development Authority (ADA). The rating assigned is provisional in nature as investors/bankers, sanction letter is yet to be finalised and other related documents are yet to be executed. However, any deviation from the expected terms may pose credit risks to the company warranting revision in the assigned rating.

The rating of the above proposed bank loan facilities of ADA derives strength from the funding support from Government of Uttar Pradesh (GoUP). This support results in enhancement of rating of said facility to Provisional IVR BBB/Stable (IVR Triple B, with Stable Outlook) against the unsupported rating of Provisional IVR BB+/Stable (IVR Double B, with Stable Outlook).

The rating further draws comfort from the established track record of operations and experienced management, support from state and centre government by way of grants, healthy financial profile of GoUP, maintenance of consolidated sinking fund and government securities. However, these strengths are partially offset by decline in total operating income (TOI) and profitability margins, land acquisition and project execution risk and inherent risk of the industry alongwith intense competition.

The outlook is 'Stable' on account of improvement in credit profile and low-interest rates, affordability, and other favourable factors expanded the realty growth in tier 2/3 cities, and it is likely to lead the sector's growth in the coming years, which provides revenue visibility in the medium term.



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IVR has principally relied on the standalone audited financial results of ADA upto 31 March 2021, and projected financials for FY22, FY23 and FY24, and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and profitability margins
- Increase in pace of land acquisition and development activities
- Increase in cash flow and improvement in financial position of state government

Downward Factors

- Slowdown in pace of land acquisition and development activities
- Deterioration in debt protection metrics and lower than expected cash flows
- Delay in submission of duly executed sanction letter within 90 days from the date of publication of rationale.

Project details: ADA is commencing a residential project in FY2023 for developing Greater Agra at three locations Rahan Kalan, Etmadpur and Budhana which will be completed in phased manner. The total land area of this project is 612 hectare or 1512 acre. The overall cost of total project is Rs. 3,668.75 crore and will be funded through ADA own contribution, bank finance and advances from customer booking. The project will commence in June 2022 is expected to be completed by October 2027. The total no of residential units that will developed are 14,334. The proposed term loan will be used for the purchase of this land.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
The authority commenced its operations in 1974 and has a successful track record of more than 4 decades in residential and commercial real estate projects in Agra city. ADA long track record and extensive experience of government of Uttar Pradesh have helped establish relations with various stakeholders for its business. The authority was constituted and managed Government of Uttar Pradesh for development of Agra city. Furthermore, authority is run by team of experienced professionals appointed by government who manages the day-to-day operations. The authority has completed several residential and commercial projects in the past.
- **Support from state and centre by way of grants:**
The authority gets continuous funding support in form of grants and infrastructure fund from Government of Uttar Pradesh (GoUP) and central government. The ADA has an outstanding interest-bearing unsecured loan of Rs. 390 crore from GoUP. It has been



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informed that these loans do not have fixed repayment obligation. The same may only adjusted/ deducted from government grants/transfers to ADA. Also, the management informed that going forward ADA will stop paying interest on this loan fund and has sent a letter to GoUP to waive off the same.

- **Sate logs higher GDP growth rate than national average:**

The Gross State Domestic Product (GSDP) of Uttar Pradesh (UP) at constant prices increased at a Compound Annual Growth Rate (CAGR) of 3.8 per cent between 2017-18 and 2019-20. In terms of NSDP per capita (Rupees at Constant prices), UP has per capita income Rs. 44,421 in FY19. Uttar Pradesh's economic growth is driven by the strong performance of its agriculture, tourism and industrial sectors. Uttar Pradesh is currently a revenue surplus state in FY19-2020.

- **Healthy financial profile of Uttar Pradesh:**

The budget 2021-22 of the State was presented with revenue surplus of Rs.23,210 crore. This indicates that it has been able to manage the state finances in a better manner than its peer states. Also, the fiscal deficit of Uttar Pradesh was lower than that of the national average. For the Financial year 2020-21(RE) total Receipts (excluding borrowing) stood at Rs. 3,09,002 crore.

- **Maintenance of CSF and GS:**

The state government maintains consolidated sinking fund (CSF) and government securities (GS) with RBI. As on December 31, 2021, the corpus of Uttar Pradesh state in CSF and GS stood at Rs. 1,020 crore and Rs. 180 crore respectively.

Key Rating Weaknesses

- **Decline in total operating income (TOI) and profitability margins:**

TOI declined by 53.73% in FY2021 to Rs. 83.88 crore from Rs. 181.30 crore in FY2020 due to impact of Covid-19. The operating surplus margins (OSM) and net surplus margins (NSM) declined to -8.53% and -82.59% respectively in FY2021 as compared to 60.93% and 25.33% respectively in FY2020.

- **Land acquisition and project execution risk:**

Pace of land acquisition through land pooling and subsequent infrastructure development can be hindered by local opposition, dispute over price etc. Successful management of these issues, timely execution of the development activity in the acquired land as per schedule are key to success of the authority.



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- **Inherent risk of the industry alongwith intense competition:**

The authority is exposed to the cyclical nature inherent in an intensely competitive real estate sector, which could result in fluctuations in cash inflows because of volatility in saleability. There is intense competition from the regional players.

Analytical Approach: For arriving at the ratings, IVR has analysed ADA's credit profile by considering the standalone financial statements. IVR has used bottom-up approach to first analyse ADA unsupported rating and then applied Notch Up Parent Approach. Assessment of credit profile of Government of Uttar Pradesh which supports ADA; therefore, the rating has been appropriately notched up.

Applicable Criteria:

[Rating Methodology for Real Estate Entities](#)

[Rating Methodology of Public Finance](#)

[Rating Methodology for Parent & Group Support](#)

[Rating Methodology for Provisional Ratings](#)

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

Liquidity – Strong

Government of Uttar Pradesh has a strong liquidity position as evinced by the state not availing SDF (Special Drawing Facility), WMA (Ways and Means Advances) and OD (Overdraft) facility from the RBI in last 12 months ending as on 31st December 2021. These facilities are extended by the RBI to state governments to tide over temporary cash flow mismatches. Also, the liquidity of the ADA is strong which is characterized by cash and bank balance of Rs. 116.96 crore as on 31st March 2021. There are no long term/short term borrowings from banks in the books as on 31st March 2021.

The ADA proposes to raise Rs. 520 crore as a long term loan with a tenor of 82 months including a moratorium of 12 months for the upcoming residential project in Greater Agra city.

Additional disclosures for provisional ratings

The provisional rating is contingent upon execution and receipt of the following documents:

- Final sanction letter
- RERA approval certificate



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Additional documents, if any, executed for the transaction will also have to be provided. The provisional rating shall be converted into a final rating following receipt of confirmation of completion of pending steps and executed transaction documents as above within 90 days from the date of issuance of the debt instrument/facility. The final rating assigned shall be consistent with the available documents/completed actions at the end of the validity period. In case of non-receipt of the duly executed transaction documents within the above-mentioned timelines, IVR may take appropriate action in line with IVR's policy on Provisional Ratings and applicable regulatory guidelines.

Risks associated with provisional nature of credit rating:

The Provisional rating indicates that the rating is contingent upon completion of the critical pending steps and/or execution of pending documentation, as detailed above. The final rating may differ from the provisional rating in case the completed actions/executed documents are not in conformity with those envisaged initially at the time of assignment of rating and in line with IVR's policy on provisional ratings.

About the Authority

Agra Development Authority (ADA) is a statutory body constituted in September 1974 by Government of Uttar Pradesh for development of Agra city under section of Uttar Pradesh Urban Planning and Development Act 1973. At the time of inception around 144 revenue making areas were covered and today around 169 areas are covered in the entire Agra. It also takes care of historical monuments like Taj Mahal, Agra Fort, Fatehpur Sikri, Akbar Tomb etc. alongwith Archaeological Survey of India (ASI). The main objective of ADA is preparation and control of master plan, acquisition of land, providing social and physical infrastructure including affordable houses in Agra. The divisional commissioner of Agra acts as the chairman of ADA, whereas vice chairman, a government appointed IAS officer looks after the daily matters of authority.

Financials (Standalone):

For the year ended as on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	181.30	83.88
EBITDA/Operating Surplus	110.47	-7.16
PAT/Net Surplus	45.93	-69.28
Total Debt	390.00	390.00
Tangible Corpus Fund	450.40	387.19
EBITDA Margin (%)	60.93	-8.53
PAT/Net Surplus Margin (%)	25.33	-82.59
Overall Gearing Ratio (x)	0.87	1.01



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Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based	Long Term	435.00	Provisional IVR BBB/Stable (Assigned)	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	435.00	Provisional 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-Agra-Development-apr22.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 [Complexity Level of Rated Instruments/Facilities](#).