

Press Release

Impact Sare Magnum Townships Private Limited

July 31, 2019

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	20.00	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantee	2.50	IVR A4 (IVR A Four)	Assigned
Total	22.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Impact Sare Magnum Townships Private Limited (ISMTPL) derives comfort from its experienced and resourceful promoters, locational advantage for the project and receipt of advance booking money for the project. However, the rating strengths are partially offset by geographical concentration risk and intense competition. Increase in sales velocity and rate, timely completion of the project within the envisaged cost and increase in profitability are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Rich experience and resourcefulness of the promoters/group having completed a number of real estate projects

The promoters of the company, the Impact group of Punjab and SARE group are well experienced in development of real estate projects. Impact group has long standing experience in various business segments like real estate development, automotive, financial services and housing. The Impact group has business presence in Punjab, Himachal Pradesh and Haryana. SARE group is focused on developing residential real estate project in India. The group is developing many residential projects in various cities like, Gurgaon, Ghaziabad, Delhi NCR, Navi Mumbai, Chennai, Indore etc.

The operations of the company are majorly looked after by Mr. Ajay Singh Cheema who is also the promoter director of Impact Group of Companies. Mr. Ajay Singh Cheema have an experience of over two decades in the real estate sector and is managing the Group's

Infrastructure and Housing business, land acquisition, project execution and management of the day to day affairs of the company. He is supported by a team of experienced and qualified professionals.

Locational advantage

The integrated township in Amritsar, Punjab is strategically positioned on the 6-lane NH1 Bypass Road which is near to the Golden Temple and is in close proximity to leading educational institutions, healthcare institutes and prominent shopping areas. Further, Amritsar as a city is garnering attention as an international historical, cultural and pilgrim centre with world-class urban infrastructure and transport system.

Receipt of advance booking money for the project

The project received a good response from public as 228 units out of 319 units in Phase I and 241 plots out of 364 plots in Phase II have already been booked and nearly Rs.87.97 crore advance money has been collected, till March 31, 2019. The projected booking amount appears to be achievable in the near to medium term.

Key Rating Weaknesses

Intense competition

The real estate sector in India is highly fragmented with most of the real estate developers having region-specific presence leading to creation of immense competition for the company. However, good response for Phase I and Phase II of the project in terms of bookings and growing demand for housing in tier II and tier III cities minimize the risk of competition. However, slowdown in real estate demand is critical for the company.

Concentration risk

Impact Group of companies primarily have presence in Punjab and Haryana and hence, moderate geographic concentration risk continues.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Projects

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Stretched

ISMTPL has an overdraft facility of Rs.20.00 crore with Andhra Bank taken for construction of the integrated township project. Out of the total sanctioned limit, ~98% of the facility

remained utilized for the last twelve months ended April 30, 2019 leading to limited buffer. Further, being in the initial stage of operation, the company has incurred marginal loss in FY2018-19 due to lower bookings received. The liquidity position for the company is expected to improve in the near to medium term with increase in the number of bookings for the project.

About the Company

Incorporated in 2007, Impact Sare Magnum Township Private Limited (ISMTPL) is a 50:50 joint venture between Impact Projects Private Limited (a group company of the Amritsar based Impact Group) and SARE Realty Projects Private Limited a company belonging to SARE Group (SARE is an India focused Residential Real Estate Fund with UK based Duet Group as the AMC and sponsor and has been established as a Holding Company in India for the purpose of Real Estate Development). The company was promoted to develop an integrated township project at Amritsar, Punjab on a land area of 100 acres and is being built up in seven phases. The Phase I of the project named as 'Ashberry Homes' has been launched, which consists of 319 flats was already completed in June, 2017. The Phase II of the project named as 'Crescent ParC Plots' has 364 plots and is expected to be completed by September, 2019. Phases III – VII of the project is at a very nascent stage and no firm plan has been finalized yet.

Financials (Standalone):

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Provisional
Total Operating Income	3.64	12.75
EBITDA	-1.62	1.68
PAT	-2.98	-0.34
Total Debt	20.43	20.07
Tangible Net worth	64.88	64.71
EBITDA Margin (%)	-44.53	13.19
PAT Margin (%)	-68.91	-2.44
Overall Gearing Ratio (x)	0.31	0.31

*as per Infomerics classification

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	20.00	IVR BB+ / Stable Outlook	-	-	-
2.	Short Term Non-Fund Based Limits – Bank Guarantee	Short Term	2.50	IVR A4	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long Term Bank Facilities – Cash Credit	-	-	-	20.00	IVR BB / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	2.50	IVR A4