

Press Release

Utkarsh Sfatik Limited

October 18, 2019

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities – Term Loan	260.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Total	260.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Utkarsh Sfatik Limited (USL) derives comfort from its experienced promoters with strong parent support, locational advantage and association of reputed consultants to guide the project implementation. The rating also factors in receipt of necessary approvals for its ongoing project as well as satisfactory response received during the soft launch of the project. However, the rating strengths are partially offset by moderate leverage with high reliance on customer advances and cyclical nature in the real estate industry.

Key Rating Sensitivities:

Upward factors

- Timely completion of the project
- Timely receipt of customer advances

Downward factors

- Deterioration in capital structure marked by TOL/TNW to above 3x
- Any delays in the completion of the envisaged project
- Economic downturn impacting the real estate industry in Patna

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management team

The Ambuja Neotia Group is headed by Mr. Harshvardhan Neotia, (aged about 53 years). Mr. Neotia is a management graduate from Harvard Business School (USA) and has over two decades of experience in the hospitality and real estate sector. Under his leadership, the group has evolved gradually over the years. Besides, USL is driven by strong management team headed by experienced professionals.

Strong parent support

USL is expected to receive continuous support from the Ambuja Neotia Group's vast experience in the real estate sector. Further, the Ambuja Neotia group has a strong financial profile driven by its various established companies. With its strong financial profile, the group is expected to support USL in near to medium term.

Favourable Location

The project site is just ~6 kms from the Patna Railway Station and ~8 kms from Patna Airport, and hence the site is well accessible by road and rail. The project also has proximity and easy access to many famed schools, commercial areas, hospitals, recreational areas and government offices.

Association of reputed project consultants to guide the project implementation

To guide the project implementation in an effective manner, the company has appointed experienced, reputed and well known consultants & design companies to guide the project implementation.

Necessary approvals for the ongoing project in place

The company has received necessary approvals for its ongoing projects, mitigating the regulatory risks in entirety.

Satisfactory response received during soft launch

The company had recently launched the project on September 29, 2019 for which it received a good response owing to the reputation enjoyed by the Group in the real estate sector. The company had launched 95 residential units for sale which was completely booked during soft launch of the project.

Key Rating Weaknesses

Moderate leverage with high reliance on customer advances for completion of project

The total cost of the project is funded through a combination of Term Loan, promoter's contribution/unsecured loan and customer advances. The promoter's have already infused their contribution in the form of equity share capital of Rs.15.76 crore and unsecured loans of Rs.48.43 crore till September 30, 2019. The Term Loan is already tied up and Rs.227 crore have been disbursed till September 30, 2019. The major financing of the project is dependent on receipt of advance from customers and term loans.

Cyclicality in real estate industry

Cyclicality in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of the company. However, satisfactory response on the launching of the project imparts comfort and reduces saleability risk to some extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity -

The project is in its construction stage and it is expected to generate revenues from FY21 onwards. The repayment of loan will start from July, 2020 onwards and will be met from customer advances. This, along with resourcefulness of the promoter, do not indicate much difficulty for the company in meeting debt obligations in the near term and the liquidity of the company is expected to remain adequate.

About the Company

Incorporated in November 1992, Utkarsh Sfatik Limited (USL) is a part of Kolkata based the Ambuja Neotia Group. The Ambuja Neotia Group acquired the company in 2009. The company remained dormant since inception. It owns a land measuring 7.52 acres in Patna, Bihar. USL is currently engaged in construction and development of a residential cum commercial project named 'City Centre' on the said land comprising of high-end residential flats, office space, mall and hotel. The company has completed around 60% of the construction work till September 30, 2019 and the COD of the project is September, 2022.

Financials:

The company is in the nascent stage of actual implementation of the project and thus, the financials do not reflect any meaningful indication.

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 – Term Loan	Long Term	260.00	IVR BBB / Stable Outlook	-	-	-

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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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Infomerics Valuation And Rating Pvt. Ltd.



Long Term Bank Facilities – Term Loan	-	-	June, 2026	260.00	IVR BBB / Stable Outlook
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