

## ATS Infrabuild Private Limited

July 15, 2021

### Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Non Convertible Debentures	135.00	CARE BB-; Negative (Double B Minus; Outlook: Negative )	Reaffirmed; Outlook revised from Stable
<b>Total Long Term Instruments</b>	<b>135.00</b> <b>(Rs. One Hundred Thirty-Five Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale and key rating drivers

The ratings assigned to the instruments of ATS Infrabuild Private Limited (AIPL) continue to remain constrained on account of slow construction & sales progress in Phase-1 of the project, excessive dependence on customer advances, delay in launch of phase 2 of the project, industry risk associated with the real estate sector as well as stretched liquidity position. The rating however, continues to derive comfort from experienced promoters with their established track record in real estate and sales and delivery track record of the group leading to a favorable brand image in the NCR market.

### Rating Sensitivities

#### Positive:

- Timely completion of the project within the estimated timelines
- Ability to achieve increased sales velocity and strong collection efficiency

#### Negative Factor:

- Completion of the project beyond the envisaged timelines and more than envisaged cost.
- Slowdown in collections/ sales momentum to lower than ~Rs.1 crore per month.

### Outlook: Negative

The revision in outlook of ATS Infrabuild Private Limited (AIPL) is on account of slow sales/ collection momentum and delay in launch of phase 2 along with high repayment obligations. The company has repayment obligation of Rs.165cr (approximately) in Jun'22, which is proposed to be repaid partially from refinancing and remaining from project surplus cash flow. However considering the slow sales and collection momentum and no confirm term sheet for refinancing, poses significant liquidity risk. The rating may be revised downward, if there is further stress in the collection or there is significant delay in refinancing of debt. Further, the outlook may be revised back to 'stable' in case collection of the company improves and is able to refinance the debt before Q1FY23.

### Detailed description of the key rating drivers

#### Key Rating Weakness

#### Slow Construction & sales progress in phase-1 of the project

All pre-construction approvals have already been received for phase-I of the project. As on May 31, 2021, the company had incurred Rs.494cr (85%) out of the total projected cost of Rs.584cr as against Rs.467cr (80%) incurred till Mar-20. The construction progress has remained slow along with the delay in launch of phase 2. As earlier the company proposed to launch the phase 2 in Dec'20, which is postponed to Q2FY21.

As on May 31, 2021 the company had already sold 12.85l sf (90%) out of their share of total saleable area of 14.31l sf of phase-1 for a total value of Rs.460cr out of which Rs.359cr have been received. The sales and collection has remained slow in the last one year due to subdued real estate scenario coupled with COVID 19 lockdown.

#### Excessive dependence on customer advances

AIPL is currently developing a residential group housing project, CASA Espana, in Sector 121, Mohali, Punjab. The project is being developed in 2 phases. For phase 1, the company has spent 85% of the total project cost (as on May 31, 2021). The same has been funded through NCD's & customer advances. Remaining cost of Rs.70 cr for phase 1 has to be funded majorly from customer advances. Therefore, dependence on customer advances for funding the project continues to remain high. However, comfort can be derived from the fact that satisfactory progress has been achieved in sales status (about 90% area sold till May-21) and remaining amount of project cost of Rs.101 cr is already tied-up in form of receivables from sold stock.

**Salability and execution risk pertaining to proposed phase-II**

AIPL is yet to commence the construction and commercial sales for the Phase 2, and it is expected to be soft launch by August 2021. Since the project is yet to be launched, the execution and salability risk pertaining to the same shall be high and may impact the overall financial profile of the entity adversely, in case of any time or cost escalations. Also there has been delays in the launch of the project due to covid and subdued market scenario, which has further impacted the liquidity position of the company. Any further delay in the launch of phase 2, will have adverse impact on the financial risk profile of the company.

**Subdued real estate scenario coupled with impact of COVID-19**

With the on-going economic conditions, the real estate industry is facing issues on many fronts. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc. thereby resulting in stress on cash flows. The industry has seen low demand for quite some time now primarily due to factors like sustained high level of inflation, which apart from keeping interest rates high, has adversely impacted the buying power and affordability for the consumers.

**Key Rating Strength****Experienced promoters with their established track record in real estate**

ATS group has a long-standing presence in the real estate development and has considerable presence primarily in the NCR market. The group has experience of development of real estate projects with delivered value of about 113 lsf of saleable area, most of which was undertaken in Noida region. The promoter of the group, Mr Getamber Anand has more than two decades of experience in the real estate industry.

**Established sales and delivery track record of the group leading to a favorable brand image in the NCR region**

The group has primarily undertaken residential development in the Noida and NCR region and over the years has established a favourable brand image for itself in the market through timely delivery of the projects. Further, to diversify its operations, the group has launched its projects in other parts of North India with ongoing projects in Noida, Gurgaon, Mohali, Derabassi etc.

**Liquidity analysis: Stretched**

The liquidity of the company is stretched as reflected by slow customer collection and sales momentum. Further with the high interest payment and principal payment in June 2022, the liquidity appears stretched.

Further, as on May 31, 2021 the company has already sold 12.85 lsf (90%) out of their share of total saleable area of 14.31 lsf of phase-1 for a total value of Rs.460cr out of which Rs.359 cr have been received. The sales and collection has remained slow in the last one year due to subdued real estate scenario coupled with the impact of COVID 19. In future, timely realization from customer advances for timely payment of the interest on NCD's undertaken would be a key rating sensitivity.

**Analytical Approach:** Standalone**Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Real Estate Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

**About the Company**

ATS Infrabuild Pvt Ltd (AIPL), incorporated on October 4, 2007, is engaged in development of Real Estate Projects. AIPL is a part of ATS Group (ATS), which has a long-standing presence in real estate industry primarily in north India. The promoter of the group, Mr. Getamber Anand, has more than two decades of experience in the real estate industry. In the past, the group has successfully completed seven residential/group housing projects with total saleable area of about 113 lakh square feet (lsf).

At present, the ATS group is developing 22 residential projects across North India (mainly Delhi NCR) having total saleable area of approximately 361 lsf. AIPL is currently developing a premium residential group housing project, CASA Espana, in Sector 121, Mohali Punjab, in a joint venture with Shivalik Group. The project is being developed in 2 phases. While Phase 1 is fully approved and is under construction, Phase 2 is at approval stage. Phase 1 has a total saleable area of 14.31 lsf while Phase 2 has a saleable area of 7.03 lsf.

(Rs. In crore)

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	90.89	15.59
PBILDT	1.09	-2.25
PAT	2.99	-2.64
Overall gearing (times)	-22.08	-14.55
Interest coverage (times)	34.35	-17.31

A: Audited

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN Number	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE686N07026	June 12, 2018	10%	06/11/2022	135.00	CARE BB-; Negative

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Debentures-Non Convertible Debentures	LT	135.00	CARE BB-; Negative	-	1)CARE BB-; Stable (17-Jul-20)	1)CARE BB; Stable (21-May-19)	1)CARE BB; Stable (01-Jun-18)

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

**Annexure 4: Complexity level of various instruments rated for this company/firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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