



Press Release

Impact Sare Magnum Townships Private Limited

November 25, 2020

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund based facilities- Cash Credit	18.50 (reduced from Rs. 20.00 crore)	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Reaffirmed at IVR BB/Stable outlook and removed from 'Issuer Not Cooperating'
Short Term Bank Facilities – Bank Guarantee	1.38 (reduced from Rs. 2.50 crore)	IVR A4 (IVR A Four)	Reaffirmed at IVR A4 and removed from 'Issuer Not Cooperating'
Total	19.88		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings has been removed from the 'ISSUER NOT COOPERATING' category as the company has now submitted the information required for the rating exercise. The ratings continue to derive comfort from its experienced and resourceful promoters & locational advantage for the project. However, these rating strengths are constrained by the intense competition in the industry, concentration risk, subdued demand of the project & weak financial performance of the company in FY20 and inherent risks associated with the real estate sector.

Rating Sensitivities

Upward Factors:

- Timely completion of the project without cost overrun
- Increase in sales velocity and collections.
- Reduction in debt levels and gearing over medium term

Downward Factors:

- Further delay in construction progress and completion of the project.
- In case of any cost overrun.
- Further decline in financials of the company.

Detailed Description of Key Rating Drivers



Press Release

Key Rating Strengths

- **Rich experience of the promoters/group having completed several real estate projects**

The promoters of the company, the Impact group of Punjab and SARE group are well experienced in development of real estate project. Impact group has long standing experience in various business segments like real estate development, automotive, financial services and housing. The group has business presence in Punjab, Himachal Pradesh and Haryana and is among the country's top franchisees of Bajaj Auto Ltd., and Punjab's leading RBI-registered "Non-Banking Financial Companies (NBFC) in the two-wheeler segment. SARE group is focussed 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.

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 (about 73% of the flats of Phase I and 60% of the



Press Release

plots of Phase II is booked till March 31, 2020) and growing demand for housing in tier II and tier III cities minimize the risk of competition a bit.

- **Concentration risk**

The promoter companies primarily have presence in Punjab and Haryana and hence, moderate geographic concentration risk continues.

- **Subdued demand of the project and weak financial performance of the company**

The TOI of the company has declined from Rs. 12.74 crore to Rs. 2.59 crore in FY20 (P). The decline in this mainly due to lower bookings in FY20 owing to sub-dude demand in the real estate sector. Further, in FY20 the company has also incurred net as well as cash loss.

- **Risks associated with the real estate sector**

Real estate sector demand is linked to the overall economic prospect of the country. Change in the economic outlook affects the expected cash inflows to a household thereby also influencing their buying decision. The company is exposed to the inherent cyclicity in the real estate sector, which could result in fluctuations in cash inflows because of volatility in saleability.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched

The liquidity position of the company is expected to remain stretched marked by its low booking status and sub-dude real estate demand coupled with cash loss incurred in FY20. Further, the average CC limit utilization of the company also stood at high at ~95% during the last 12 months ended in August,2020 indicating a limited liquidity buffer. For improvement in the liquidity position of the company increase in booking is critical.



Press Release

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 and The Phase II of the project named as 'Crescent ParC Plots' consisting of 364 plots. 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	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	12.74	2.59
EBITDA	1.67	1.17
PAT	(0.30)	(3.97)
Total Debt	20.73	19.23
Tangible Net worth	64.70	59.34
EBITDA Margin (%)	13.09	45.09
PAT Margin (%)	(2.19)	(118.86)
Overall Gearing Ratio (x)	0.32	0.32

*Classification as per Infomerics' standards.

Fully convertible debentures (FCD) of Rs.67.48 crores issued by the company are to be compulsorily converted into equity shares within such period as may be determined by the Board of Directors. Further, no interest shall be accrued / paid for the FCD. Hence, the FCD's have been considered as a part of Tangible Net worth.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	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.	Cash Credit*	Long Term	18.50	IVR BB/ Stable Outlook	IVR BB; ISSUER NOT COOPERATING (Sep 16, 2020)	IVR BB+/ Stable Outlook (July 31, 2019)	-
2.	Bank Guarantee	Short Term	1.38	IVR A4	IVR A4; ISSUER NOT COOPERATING (Sep 16, 2020)	IVR A4 (July 31, 2019)	-

*SOD

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Mayank Sethi Tel: (033) 46022266 Email: mayank.sethi@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
--	---

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.

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



Press Release

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
Long Term Fund based facilities- Cash Credit*	-	-	-	18.50	IVR BB/ Stable Outlook
Short Term Bank Facilities – Bank Guarantee				1.38	IVR A4

*SOD