



Press Release

Utkarsh Sfatik Limited

December 31, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities – Term Loan	240.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Total	240.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of rating assigned to the bank facilities of Utkarsh Sfatik Limited (USL) continues to derive 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 bookings since the launch of the project. However, these rating strengths are partially offset by project execution risk, moderate leverage with high reliance on customer advances and exposure to cyclicity in the real estate industry.

Key Rating Sensitivities:

Upward factors

- Timely receipt of customer advances and timely completion of project with no time or cost overrun
- Sustenance of support from the promoters, the Ambuja Neotia group

Downward factors

- 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. Mr. Neotia is a management graduate from Harvard Business School (USA) and has over two decades of



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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 booking status

The company had launched the project on September 29, 2019 for which it received a robust response owing to the reputation enjoyed by the Group in the real estate sector. As indicated by the management, the company has already received bookings for 121 residential flats out of 127 residential flats. Thus, saleability risk for the balance saleable residential area is very low which provides revenue visibility for future years.

Key Rating Weaknesses

Project execution risk

Though the project has received all necessary regulatory clearances, the expected date of completion is by September, 2022. The long implementation period makes the company



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susceptible to time and cost overruns, which may impact profitability. Once operational, ability to sell the units is key to meet the debt obligation on time.

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 promoters have already infused their contribution in the form of equity share capital and unsecured loans to the extent of Rs.52.11 crore till November 30, 2020. Term Loan of Rs.260 crores have been tied up out of which Rs.233.74 crore has been incurred till November 30, 2020. The major financing of the project is dependent on receipt of advance from customers and term loans.

Cyclicality in the 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 - Adequate

The project is in its construction stage and it is expected to generate revenues from FY22 onwards. The repayment of loan started from August, 2020 onwards and is 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



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flats, office space, mall and hotel. The company has completed around 78% of the construction work till September 30, 2020 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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	240.00 *	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook (October 18, 2019)	-	-

**Outstanding as on November 30, 2020*

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
Long Term Bank Facilities – Term Loan	-	-	September, 2026	240.00 *	IVR BBB / Stable Outlook

**outstanding as on November 30, 2020*