

Rating Rationale

30 Jun 2020

Orchids Apartments Private Limited

Brickwork Ratings reaffirms the rating for the NCDs of Rs. 182.40 Crores of Orchids Apartments Private Limited based on best available information, as the issuer did not cooperate.

Particulars

Instrument [^]	Amount (Rs. Crs)		Tenure	Rating**	
	Previous	Present		Previous	Present
NCD (Tranche I)	80.00	80.00	Long Term	BWR D	BWR D Issuer Not Cooperating* Reaffirmed and migrated to Issuer Not Cooperating* category
NCD (Tranche II)	102.40	102.40			
Total	182.40	182.40	Rupees One Hundred and Eighty Two Crores and Forty Lakhs Only		

*Issuer did not cooperate; based on best available information; **Please refer to BWR website www.brickworkratings.com/ for definition of the ratings; [^]Details of rated NCDs are provided in Annexure-I.

Note: As the current outstanding amount of the rated NCDs has not been made available to BWR, the previous rated amount has been considered for the purpose of this rating review.

Rating Action/Nature of Non Cooperation

The rating was downgraded to BWR D on 04Jul2019 due to delay by the company in meeting the scheduled coupon payment of the NCDs due on 30Jun2019 due to poor liquidity. Subsequently too, no confirmation was given either by the company or the debenture trustee (DT) regarding payment of the quarterly coupon payments due on 30Sep2019, 31Dec2019 and 31Mar2020, despite follow up by BWR. The DT has informed BWR on June 26 2020 that as per information received from one of the debenture holders, the scheduled coupon on Mar 31 2020 has not been paid by the company.

BWR has been following up with the company through several emails and telephonic communication for the information for surveillance of rating. Despite repeated attempts, the company has not cooperated with BWR in submission of required information for conducting a review of the rating. The company has not been sharing the No Default Statement (NDS) with BWR as per extant regulatory requirements. Due to the continued lack of management cooperation and in the absence of adequate information from the company, BWR is unable to assess the company's financial performance and its ability to service its coupon payments and maintain a valid rating. Hence, based on extant regulatory guidelines, continued non-cooperation by the company, delays in



meeting its debt obligations and the best available information, Brickwork Ratings has reaffirmed the rating at BWR D and migrated the rating to the Issuer Not Cooperating* category.

*Issuer did not cooperate; based on best available information

Limitations of the Rating

Information availability risk is a key factor in the assessment of credit risk as generally non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit rating should therefore take into account the possible deterioration in the credit quality of the rated entity arising from its non-transparency and withholding of information required for a review of the rating.

Issue Details - Rs. 182.40 Crs. (as per information available in July 2019)

The rated NCDs of Rs. 182.40 Crs have been issued on a private placement basis with coupon of 12% per annum (simple interest), accrued and payable at the end of each quarter. The NCDs are to be redeemed such that the total premium paid upon redemption along with interest of 12% yields an IRR of 20.25% p.a. The proceeds of NCDs were used for purchase of land for the project. In addition, there is cross collateralization of Vismaya Developers Pvt Ltd (a sister concern) on certain portion of the land and the company has created charge on certain assets for Rs. 182.40 Crs(as security in favour of M/s Vistra ITCL (India) Ltd (Debenture Trustee)), lent by M/s HDFC Ventures Trustee Company Ltd, Superior Investments PTE Ltd to M/s Vismaya Developers Pvt Ltd. The NCDs are secured by personal guarantee by the partners of Adarsh Developers, the flagship firm of the Adarsh group.

Company Profile (as per information available in July 2019)

Orchids Apartments Private Limited (OAPL) was incorporated on 27Jan1981 at Bangalore. The company is engaged in the business of property development and land acquisition activities. OAPL belongs to the Bangalore based Adarsh Group which has its operations in real estate construction and development. Mr. B.M. Jeyashankar is the Managing Director and his brother Mr. B.M. Karunesh is the Director. Mr. B.M. Jeyashanker holds ~51% stake and M/s Adarsh Developers holds 48.50%.

Project Details (as per information available in July 2019)

The proposed residential real estate project is spread over 15 acres of land off Sarjapur road at Chikkanahalli & Chikkanayakanahalli, Bengaluru. It has around 10,87,907 sq. ft. of saleable area, comprising 1487 residential units. The project was expected to be launched in August 2019 and completed by August 2023. As of 31Mar2019, the company had not recognized any revenue as the development of the project was still in the nascent stage and approvals from various bodies including RERA were awaited. The revised project cost was estimated at around Rs. 441.18 Crs., to be funded primarily through customer advances of around Rs. 278.11 Crs., promoters contribution of Rs. 13.07 Crs. and the balance through debt.

Key Financial Indicators

As of 31Mar2019, the company had not recognized any revenue as the development of the project was still in the nascent stage. The company did not provide any subsequent financial and operational details after the previous rating review.

Status of non-cooperation with previous CRA - Nil

Rating History For The Previous Three Years [including withdrawal and suspended]

Sl. No.	Instrument	Current Rating (June 2020)			Rating History		
		Tenure	Amount (Rs Cr)	Rating	2019	2018	20Jun2017
1	NCD (Tranche I) ISIN: INE778X07012	Long Term	80.00	BWR D Issuer Not Cooperating* Reaffirmed and migrated to Issuer Not Cooperating* category	<u>04Jul2019</u> BWR D	<u>26Jun2018</u> BWR BB+/Stable	BWR BB+/Stable
2	NCD (Tranche II) ISIN: INE778X07020		102.40		<u>24Jun2019</u> BWR BB/Negative	<u>22Jun2018</u> BWR BB+/Stable	
	Total		182.40	Rupees One Hundred and Eighty Two Crores and Forty Lakhs Only			

*Issuer did not cooperate; based on best available information.

Note: Rs. 140.00 Crs. of the NCDs were assigned the rating of BWR BB+/Stable on 20Jun2017.

Complexity levels of the instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

<ul style="list-style-type: none"> General Criteria 	<ul style="list-style-type: none"> Infrastructure Sector
<ul style="list-style-type: none"> Approach to Financial Ratios 	<ul style="list-style-type: none"> What Constitutes Non-cooperation

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ANNEXURE I

Orchids Apartments Private Limited

Details of NCDs rated by BWR

Sl. No.	Instrument	Issue Date	Amount (Rs. Crs.)	Coupon	Maturity Date	ISIN
1	NCD (Tranche I)	21Jul2017	80.00	12% per annum	30Jun2022	INE778X07012
2	NCD (Tranche II)	26Jun2018	102.40	12% per annum	30Jun2022	INE778X07020
TOTAL - Rupees One Hundred and Eighty Two Crores and Forty Lakhs Only						182.40

Note: As per information provided during the previous rating review (July 2019). As the current outstanding amount of the rated NCDs has not been made available to BWR, the previous rated amount has been considered for the purpose of this rating review. Coupon is accrued on a quarterly basis and payable on the last day of each quarter till the date of redemption.

For print and digital media: The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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DISCLAIMER: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.