



Rating Rationale

Artsy Homes Real Estate Private Limited

29 May 2020

Brickwork Ratings Downgrades the ratings for the Deep Discount Bonds (DDBs) Issue of Rs. 25.16 Crores of Artsy Homes Real Estate Private Limited

Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2019)	Present
Fund based	25.16	25.16	Long Term	BWR B-Stable	BWR C Downgraded
Total	25.16	25.16	INR Twenty Five Crores Sixteen Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bonds is provided in Annexure-I&II

RATING ACTION: Downgraded

The rating downgrade factors in the delay in project execution, non-achievement of the expected performance and non-completion of the project on the scheduled date (31.03.2020) specified in term sheet/IM (Memorandum). The rating downgrade also factors in occurring of an event of default on account of non-completion of the project on the said date casing right to put option to the investor as specified in the IM.

The rating factors in the experience of the promoters, however is constrained by uncertainty of the cash flows for timely payment of the debt and sales and other risks associated with the real estate industry.

KEY RATING DRIVERS

Credit Strengths:

- The residential project namely, Plus Art (in which the DDB proceeds is invested) is located in Lower Parel, Mumbai which is well connected to various parts of the city.

Credit Risks:

- The project is still at the construction stage, exposing it to project execution risk.
- Unavailability of FY20 financials.
- Susceptible to business risk and cyclicity in the real estate industry, which can affect saleability of the purchased flats.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA



As the company does not have any subsidiaries, for arriving at its ratings, BWR has assessed the standalone financials of Arsty Homes Real Estate Private Limited and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Sustained improvement in sales and cash flow along with redemption of DDBs as per schedule.
Negative: On event of bond holder exercising the put option, the developer is expected to purchase the bonds as per the terms of IM. Any non-compliance of the above would be rating sensitivity.

LIQUIDITY POSITION

The company's liquidity position is poor. The company has not sold any flats as on date (purchased from DDB proceeds) and there are no visible cash flows. The cash balance as on 31.03.2019 is Rs 0.83 Lakhs.

COMPANY PROFILE

Arsty Home Real Estate Pvt Ltd, incorporated in April 2017 is in the business of real estate investments and trading. The promoters / directors of Company are Mr. Sanjay Lulla and Mr. Chirag Majithia.

KEY FINANCIAL INDICATORS (in ₹Cr)

Key Parameters	Units	FY2018	FY2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	0.00	0.00
EBITDA	₹ Cr	1.92	2.76
PAT	₹ Cr	0.05	0.04
Tangible Net worth	₹ Cr	0.06	0.11
Total Debt/Tangible Net worth	Times	427.24	276.16
Current Ratio	Times	1819.14	3054.73

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

AHREPL has issued DDBs totaling to Rs. 25,16,00,008/- on 30th Jun'2017 for tenor up to 10 years with redemption date on 29th Jun'2027. The proceeds have been utilized to purchase 22 apartments in a residential tower, namely Plus Art in Lower Parel, Mumbai.

The redemption of the bonds is on a quarterly basis (March 31, June 30, September 30 and December 31) until the expiry of the tenure. (each such date is a "Redemption Due Date"). If on any Redemption Due Date, there are no cash flows or insufficient cash flows for the redemption of the bonds, the redemption installment (payable on such redemption due date) would be payable on the last business day of the next



month following such Redemption Due Date (the ‘Deemed Redemption Due Date’) (but prior to the next Redemption Due Date), subject to availability of cash flows from the sale of mortgaged apartments.

There has been no redemption of DDBs till date.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - NA

Rating History for the previous three years (including withdrawal and suspended)

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	31, May, 2019	04, Jun, 2018	19, May, 2017
Fund Based	Long Term	25.16	BWR C	BWR B-Stable	BWR B-Stable	BWR B-Stable
Total		25.16	INR Twenty Five Crores Sixteen Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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Artsy Homes Real Estate Private Limited



ANNEXURE I

INSTRUMENT (DDB/Bonds/CP) DETAILS

Instrument	Issue Date	Amount in Rs. Cr.	Coupon Rate	Maturity Date	ISIN Particulars
Deep Discount Bonds	30.06.2017	25.16	Zero	29.06.2027	INE728X11019

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