

## Press Release

### Chartered Housing Private Limited

March 13, 2019

### Rating Downgraded



<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB-/Stable)

\* Refer Annexure for details

### Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) from **ACUITE BB-/Stable** (read as **ACUITE double B minus**) on the Rs. 17.67 crore bank facilities of Chartered Housing Private Limited (CHPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 2.33 crore bank facilities of CHARTERED HOUSING PRIVATE LIMITED (CHPL). The outlook is 'Stable'.

The downgrade is on account of rising inventory levels, rising cost of borrowing and a tepid real estate market.

CHPL started in the year 1989 by Mr Balakrishna Hegde, a banker, who is also the founder member of Chartered Leasing Company, founded in the year 1983. Other directors of the company are Mr. Bimal Hegde and Ms. Bhakti Hegde Shetty. The company is currently working on three projects: Chartered Grasshopper, Chartered Veda and Chartered Hummingbird.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of CHPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### • Experienced Management

Incorporated in 1989, the company has long track record of almost three decades. During the last two decades, CHPL has undertaken mostly residential projects apart from commercial and villa plot development projects in Karnataka namely Chartered Resort, Chartered Sannidhi, Chartered Cottage, Chartered Court and Chartered House among others. The company has completed 24 projects in total since incorporation. The projects have been successfully completed and have demonstrated satisfactory sales and booking track record.

### Weaknesses

#### • Inventory build-up

The company is facing the risk of inventory build-up in all the 3 projects. Chartered Grasshopper, which has been complete, has 41 villas to be sold under the share of CHPL, out of which 15 villas are still unsold. For Chartered Hummingbird, which is also a completed project, CHPL has a share of 77 apartments to be sold under their share, of which, 28 apartments still remain unsold. For Chartered Veda, CHPL has agreed to sell 86 plots and currently, 25 plots still remain unsold. The company faces a rising risk of increasing inventory amidst a tepid real estate market in Karnataka. The company may clear their inventory of unsold property at lower prices in lieu of financial obligations that fall due at regular time intervals. Also, the company faces intense competition from joint venture partner, other builders and infrastructure developers in the cost sensitive real estate market.

### Outlook: Stable

Acuite believes the company will maintain its business risk profile in the medium term on the back of experienced management. The outlook may be revised to 'Positive' if the company generates steady

cash flows as per anticipated customer advances from the bookings. Conversely, the outlook may be revised to 'Negative' in case there is any delay in executing the project or the collections from the bookings gets delayed, thereby creating pressure on liquidity.

### About the Project

The company currently has 3 projects: Chartered Grasshopper, Chartered Hummingbird and Chartered Veda. Char. Chartered Grasshopper comprises of row villas of 56 units of 3 and 4 bedroom configurations, built on more than 4.5 acres of land. Chartered Hummingbird comprises of 2/3 BHK apartments of 118 units built in a Joint Development Agreement. Chartered Veda is a villa plot development project with a land size of 12 acres. All the projects are located in and around Bangalore, Karnataka.

### Liquidity Position

CHPL's liquidity position remains under pressure in the backdrop of repayment of debt obligations further accentuated by sluggish sales growth in real estate segment and challenges faced in unwinding of non-core assets. The company is looking to raise further debt to begin new projects. Since this fresh loan will be of a longer tenor, this refinancing is expected to partly alleviate its liquidity pressures and align its debt maturity profile with its cash flows from operations for the near future.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.49	26.80	20.07
EBITDA	Rs. Cr.	7.20	7.58	5.45
PAT	Rs. Cr.	0.75	0.16	0.29
EBITDA Margin	(%)	19.72	28.30	27.18
PAT Margin	(%)	2.05	0.59	1.44
ROCE	(%)	11.99	10.76	10.89
Total Debt/Tangible Net Worth	Times	3.95	4.44	3.73
PBDIT/Interest	Times	1.24	1.07	1.12
Total Debt/PBDIT	Times	6.44	8.00	8.52
Gross Current Assets (Days)	Days	684	840	966

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Aug-2018	Term Loan	Long Term	20.00	ACUITE BB- (Indicative)
24-Feb-2016	Term Loan	Long Term	20.00	ACUITE BB- / Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	17.67	ACUITE B+ / Stable (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.33	ACUITE B+ / Stable (Assigned)

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**About Acuité Ratings & Research:**

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