

Press Release

Hema Abodes Private Limited

May 22, 2017

Rating Assigned

| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 19.33 Cr. |
| Long Term Rating | SMERA B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 19.33 crore bank facilities of Hema Abodes Private Limited. The outlook is '**Stable**'.

Hema Abodes Private Limited is an Andhra Pradesh-based real estate firm engaged in the construction of residential apartments and commercial projects. The company is promoted by Mr B Suresh Kumar and Mrs B Vijaya Lakshmi. The company is developing a project known as Hema Twin Bliss with area of around 180000 sq feet (S+G+9 floors). Melodica the residential tower and Exotica the commercial tower are the two key arms of Hema Twin Bliss. It is located in the foot hills of Sacred Simhachalam hills, in Murlinagar, Vishakapatnam.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company Mr B Suresh Kumar and Mrs B Vijaya Lakshmi possess more than a decade experience in the real estate industry. The entity has successfully completed many projects like Hema Residency, Hema's L.B Towers, Hema's Lavanya Complex, Hema Castle.

Weaknesses

- **High dependence on external funds**

HAPL has undertaken construction of 'Hema Twin Bliss', a residential and commercial project at an estimated cost of Rs 35.65 cr to be funded from term loan of Rs 19.33 cr and promoters contribution of Rs. 6.00 cr with the balance through customer advances. The project is highly dependent on external funding (term loan and customer advances) which comprise 83.00 per cent of the total project cost.

- **Project implementation risk**

Out of the total project cost of Rs 35.65 crore, Till February 2017 the firm has incurred cost of Rs 15.80 crore (funded through Rs 3.50 of term loan, Rs 3.70 of customer advances and the balance from promoter's own funds).The project started in December 2015 and is expected to be completed by end of FY2019. The ability of the firm to complete the project on time without cost and time overruns will remain the key sensitivities.

- **Salability risk and generation of adequate cash flows:**

Till February 2017, the company has sold 2 flats (out of 40 flats) in their residential project, Melodica fetching revenues of Rs 0.90 crore. Exotica the commercial project had fetched advances of around Rs 2.80 crore. The timely sale of remaining units and generation of adequate cash flows will remain key rating sensitivity factor.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term on experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows and completes projects on time. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution or collections from customer advances getting delayed thereby creating pressure on liquidity.

About the Rated Entity - Key Financials

For FY2015-16, HAPL reported PAT of Rs.0.05 crore on operating income of Rs.0.98 crore, as compared with PAT of Rs.0.01 crore on operating income of Rs.0.90 crore in FY2014-15.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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 | 31-Dec-2021 | 19.33 | SMERA B / Stable |

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