

Press Release

Sheela Avenues Private Limited

July 27, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs. 25.00 crore bank facilities of Sheela Avenues Private Limited. The outlook is '**Stable**'.

Incorporated in 2014, Sheela Avenues Private Limited (SAPL) is a Hyderabad-based real estate company promoted by Mr. C Venkateshwarlu. It is into development of real estate projects (both commercial and residential) in and around Hyderabad (Telangana). The company is currently developing a commercial project (Shri Sky Mall and Multiplex) from FY2018 onwards with total saleable area of 1.69 lakh square foot (sft) to construct 32 shopping units, 240 car parking units and 3 movie theatres. The total cost of the projects is Rs.49.00 crore.

Key Rating Drivers

Strengths

• Experienced management

The promoter has around four decades of experience in construction and development of properties in his professional capacity. The experience has helped the company in successful completion of seven ventures covering 3.9 lakh sft of built up space in commercial and residential segment in and around Hyderabad city. The company now have taken up a new venture for development of a commercial project in Hyderabad with a super built up area of about 1.69 lakh sft. It is for development of a shopping complex along with three multiplex theatres under joint development agreement with the land owner at 50:50 sharing. The construction started in June 2017 and management expects the projects to be ready for handover by July 2020. Acuite believes that the promoter's experience in the real estate industry is expected to support in successful sale of the units, and timely completion of the project.

• Low funding risk

The company is currently developing a project (Shri Sky Mall and Multiplex) at a cost of about Rs.49.00 crore. The project is proposed to be funded out of promoter's contribution of about Rs.16.00 crore (~33 percent of project cost), bank funding of about Rs.25.00 crore (~51 percent) and customer advances of about Rs.8.00 crore (~ 16 percent). The company has successfully completed the financial closure and have drawn about Rs.7.50 crore and the promoters have brought in Rs.13.5 crore (~ 84 percent of their contribution) as of June 30, 2018. With the funds in place, the physical construction of the project is above 50 percent and 43 percent on project cost with investment of about Rs.21.00 crore. For the next phase of work completion of about Rs.28.00 crore, the company will be using bank term loan of Rs.17.50 crore and promoter's contribution of Rs.2.50 crore, besides dependency on customer advances at the end of the project. The management believes to start the commercial sales of the project from Q3FY2019 to realise the premium besides lower reliance on customer advances for completion of the project. Acuite believes that adequate funds in place and lower reliance on the customer advances leaves a larger scope for financial flexibility and charging premium on commencement of sale of the space.

Weaknesses

• Inherent cyclicality in Real Estate Sector

The real estate industry in India is highly fragmented with most of the real estate developers having a city-specific or region specific presence. The risks associated with real estate industry are cyclical in nature in terms of drop in property prices partly attributed to piling of high inventory, commercial space, economic downturn, building material availability issues, among others and Acuite believes that the company is exposed to the risk associated with this industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SAPL to arrive at this rating.

Outlook: Stable

Acuite believes that the company will maintain its business risk profile over the medium term on the back of experienced promoter and long operational track record in the real estate industry. The outlook may be revised to 'Positive' in case of earlier-than-expected sale of the constructed area, and advances from customers resulting in adequate cash flows for early completion of the project. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.26	0.32	0.00
EBITDA	Rs. Cr.	0.41	0.10	-0.01
PAT	Rs. Cr.	0.03	0.02	-0.01
EBITDA Margin	(%)	154.67	32.15	0.00
PAT Margin	(%)	11.00	5.66	0.00
ROCE	(%)	6.71	3.37	-0.67
Total Debt/Tangible Net Worth	Times	13.12	7.84	0.00
PBDIT/Interest	Times	1.08	1.34	0.00
Total Debt/PBDIT	Times	17.39	39.06	0.00
Gross Current Assets (Days)	Days	11976	5040	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

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	Not Applicable	25.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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