

Press Release

Adwalpalkar Constructions And Resorts Private Limited

May 05, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	58.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.58.00 crore of bank facilities of Adwalpalkar Constructions and Resorts Private Limited (ACRPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation is on account of improvement in the operating performance of the company in FY2022. The revenue of the company stood at Rs. 111.60 crore in FY2022 as against Rs.50.00 crore in FY2021. The improvement in the revenue is account of the increased occupancy levels post the relaxation of the pandemic induced restrictions. It also draws comfort from the firm's established track record of operation of over a decade in the real estate business supported by experienced management. The rating, however, is constrained by significant project completion risk and susceptibility to real estate cyclicity and regulatory risks and high geographical concentration.

About the Company

Incorporated in 2010 at Goa, ACPL was promoted by Mr. Mahesh Adwalpalkar, Mrs. Jyoti Adwalpalkar and Mr. Shripad Adwalpalkar. The company is engaged in the construction of commercial and residential properties along with running a chain of hotels with the brand name of 'Sing' in Goa. The company also has two Ready Mix Concrete Plants (RMC), one was installed in January 2020 and other was installed in June 2021 and is planning to install one more plant in FY2024

Analytical Approach

Acuite has considered standalone business and financial risk profile of ACRPL while arriving at the rating.

Key Rating Drivers

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Strengths

Established track record of operation and experienced management

ACRPL has been present for a decade in the real estate and hospitality sector. ACRPL was incorporated in 2010 for the construction of residential and commercial properties in Goa. In 2012, the company entered into the hospitality segment. ACRPL has successfully delivered 7 projects till March 31, 2020 and presently, it has 8 ongoing projects at different stages of construction. ACRPL's promoters have been associated with the real estate sector since 1995 through their group partnership firm- M/s Adwalpalkar Constructions (nonoperational). Further, ACRPL operates a reputed hotel chain in Goa with the brand name of 'Sing'.

Acuité believes that ACRPL's established track record of successful project execution and brand presence will continue to support its business risk profile over near to medium term.

Moderate Financial Risk Profile

ACRPL has moderate financial risk profile marked by moderate tangible networth, moderate gearing level and coverage ratios. The tangible net worth improved to Rs.32.78 crore as on 31 March, 2022 as against Rs.15.05 crore as on 31 March, 2021 on account of accretion to reserves. ACRPL follows a moderate leverage policy reflected in its peak gearing level of 2.30 times as on 31 March, 2022 as against 3.55 times as on 31 March, 2021. The total debt outstanding of Rs.75.54 crore consists of working capital borrowings of Rs.30.12 crore, unsecured loan from promoters of Rs.0.36 crore and term loan of Rs.45.05 crore as on 31 March, 2022. The coverage ratios of the company are moderate with Interest Coverage Ratio (ICR) of 5.32 times for FY2022 against (0.08) times for FY2021. Also, the Debt Service Coverage Ratio (DSCR) stood at 2.94 times for FY2022 against (0.08) times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 5.71 times as on March 31, 2022 against 10.29 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.31 times for FY2022.

Weaknesses

Susceptibility to real estate cyclicity and regulatory risks and high geographical concentration

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 of business like drop in property prices and interest rate risk, among others, which could affect the operations. The company is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The real estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. Further, the industry is exposed to regulatory risk, thereby impacting the company's operating capabilities. The company is also exposed to high geographical concentration as its all the projects are concentrated in the state of Goa. Thus, any negative development in this area could hurt the overall operations and project planning of the company.

Rating Sensitivities

- Timely implementation of projects, receipt of customer advances and traction in sale of residential and commercial projects.
- Schedule receipt of customer advances.
- Significant improvement in occupancy levels and profitability margins in the hospitality segment.

Material covenants

None

Liquidity Position

Adequate

ACRPL's liquidity position is adequate marked by adequate net cash accruals against repayment of debt obligations. The company generated net cash accruals of Rs.23.15 crore in FY2022 as against debt obligation of Rs.4.29 crore. Going ahead, the net cash accrual is expected to be in the range of Rs.23.26 to 26.71 crore during FY2023-24 and the debt obligations are expected to be in the range of Rs. 6.22 to 13.25 crore.

Outlook: Stable

Acuité believes that ACPL will maintain a 'Stable' outlook over medium term on account of its established track record in the industry. The outlook may be revised to 'Positive' in case the company achieves significantly higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances or in case of delay in project execution.

Other Factors affecting Rating

None

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

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	111.60	50.00
PAT	Rs. Cr.	17.69	(12.39)
PAT Margin	(%)	15.85	(24.77)
Total Debt/Tangible Net Worth	Times	2.30	3.67
PBDIT/Interest	Times	5.32	(0.08)

Any Other Information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2023	Secured Overdraft	Long Term	11.07	ACUITE BB- (Issuer not co-operating*)
	Secured Overdraft	Long Term	3.90	ACUITE BB- (Issuer not co-operating*)
	Dropline Overdraft	Long Term	6.00	ACUITE BB- (Issuer not co-operating*)
	Dropline Overdraft	Long Term	9.00	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	6.53	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Issuer not co-operating*)
	Secured Overdraft	Long Term	0.98	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	13.08	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	2.48	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.96	ACUITE BB- (Issuer not co-operating*)
05 Jan 2022	Dropline Overdraft	Long Term	9.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Dropline Overdraft	Long Term	6.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	3.90	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	0.98	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	6.53	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.48	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	11.07	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	13.08	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.96	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	6.53	ACUITE BB Stable (Assigned)
	Secured Overdraft	Long Term	11.07	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	13.08	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)

19 Jun 2020		Long		
	Term Loan	Term	2.48	ACUITE BB Stable (Assigned)
	Dropline Overdraft	Long Term	6.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.96	ACUITE BB Stable (Assigned)
	Secured Overdraft	Long Term	3.90	ACUITE BB Stable (Assigned)
	Secured Overdraft	Long Term	0.98	ACUITE BB Stable (Assigned)
	Dropline Overdraft	Long Term	9.00	ACUITE BB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4 Reaffirmed
State Bank of India	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB- Stable Reaffirmed
State Bank of India	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.90	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	11.07	ACUITE BB- Stable Reaffirmed
Saraswat Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.98	ACUITE BB- Stable Reaffirmed
NKGSB Cooperative Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.53	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.96	ACUITE BB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.48	ACUITE BB- Stable Reaffirmed
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.08	ACUITE BB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 vaishnavi.deshpande@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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