

Press Release

Essen Realtors

July 26, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.40.00 Cr.
Long Term Rating	ACUITE B+/Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the **Rs. 40 Cr** bank facilities of Essen Realtors (ER). The outlook is '**Stable**'.

About the rated entity

ER is a Pune based firm established in 2002 by Mr. Satish Agrawal, Mr. Nitin Agrawal and others. The firm is engaged in development of residential and commercial projects. ER has successfully completed about 9 projects in the past since 2006. Currently, the firm has one ongoing project i.e. Aishwaryam Comfort Gold at Akurdi (Pune) with total saleable area of 2.56 lakh square feet and sanction to construct 184 units. The project includes total of 228 units comprising of two BHK and three BHK and 13 shops. The total project cost is Rs.83.65 crore and the total sale proceeds expected is around Rs.143.24 crore.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ER to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record and experienced promoter**

The promoters of the firm Mr. Satish Agrawal, Mr. Nitin Agrawal and others collectively possess around two decades of experience in the real estate industry. They have successfully developed six projects including residential and commercial projects located in & around Pune. Acuité believes that the promoter's established track record of successful project execution and financial backing from promoter group will continue to support its business risk profile over near to medium term.

Weaknesses

- **Moderate project execution risk:**

ER is currently developing a residential and commercial project – 'Aishwaryam Comfort- Gold' located at Akurdi (Pune). The total costs of project remains Rs.83.65 crore; however, the project is now expected to be completed by December 2022 than February 2021. The current project cost incurred is Rs.41.53 crore i.e. ~50 percent of total project cost. Out of the total funding requirement of Rs.83.65 crore, promoter's infused Rs.5.09 crore, unsecured loans of Rs.4.72 crore, remaining is through term loan, customer advances. Also, the firm has sanctioned term loan of Rs.35.00 crore, of which Rs.10.30 crore is disbursed till May 31, 2021 and out of required customer advances of Rs.27.65 crore, the firm has already received Rs.7.50 crore as on May 31, 2021. Considering the pandemic situation, Acuité believes that any further delays in execution of the project may lead to cost overrun and it remain a key rating sensitivity factor.

• **Inherent cyclical and stiff competition in construction Sector:**

The real estate industry 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 nature of business (drop in property prices) and interest rate risk, among others that could affect the operations of the firm. Further, the firm faces competition from the other ongoing and new projects in the vicinity. The project 'Aishwaryam Comfort- Gold', situated in Akurdi, is one of the fastest growing suburbs in Pune. It has several residential as well as commercial projects under construction.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Delay in completion of project leading to increase in project cost
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The Liquidity profile of the firm stood adequate marked by net cash accruals of Rs.8.40 crore – Rs.0.49 crore during FY18-FY20. The sale proceeds from already constructed area, promoter funds, and term loan pending for disbursement remains the main source of cash flows for the firm for repayment of debt obligation once commenced. Promoters of the firm would bring in funds in the form of promoter's fund or unsecured loans in business. The firm is likely to generate sufficient net cash accruals to its maturing debt obligations, however impact of the pandemic on the real estate sector remains a key monitorable over the medium term.

Outlook: Stable

Acuité believes that ER will maintain 'Stable' business risk profile in the medium term on the back of experienced management and established presence of the group in the real estate industry. The outlook may be revised to 'Positive' if the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in project execution or collection of booking money.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	0.63	3.60
PAT	Rs. Cr.	0.41	0.70
PAT Margin	(%)	65.45	19.46
Total Debt/Tangible Net Worth	Times	15.44	1.59
PBDIT/Interest	Times	1.22	1.56

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities- <https://www.acuite.in/view-rating-criteria-63.htm>
- Financial Ratios And Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Mar-2020	Term Loans	Long Term	35.00	ACUITE B+/Stable (Assigned)
	Overdraft	Long Term	5.00	ACUITE B+/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 Loan	01-09-2019	Not Available	31-08-2024	35.00	ACUITE B+/Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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