

Press Release

Essen Realtors

October 22, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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**'.

The reaffirmation is on account of satisfactory operational performance. The rating is underpinned by leveraged financial risk profile

About the Company

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

Acuite 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. Acuite 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

Deterioration in financial risk profile

The capital structure as represented by debt-equity ratio deteriorated to 8.70 times in FY22 as against 2.34 times in FY21. This is majorly on account of withdrawal of capital. The withdrawal of capital was majorly on account of funds infused for Project 'Comfort Gold'. The partner's capital declined from Rs.14.54 crores in FY21 to Rs. 3.71 crores in FY22. Similarly, total outstanding liability to tangible net worth also deteriorated to 24.70 crores in FY22 over 2.93 times in FY21. The interest coverage ratio remained at similar level with marginal improvement on account of improved operating profit. Similarly, Debt-EBITDA also improved to 7.33 times in FY22 over 9.43 times in FY21.

The firm has sanctioned limit of Rs.35.0 crore, out of which the company has disbursed Rs.26.0 crores. The remaining funds would be disbursed in this FY23-24. Acuite believes that the capital structure is expected to deteriorate further in case of any further withdrawal or with existing capital.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- >Improving scale of operations while maintaining profitability.
- >Delay in completion of project leading to increase in project cost
- >Any deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

The firm has reported net cash accruals of Rs.1.97 crores in FY22 vis-à-vis Rs.0.88 crores in FY21. During FY22, the company had reported total collections (including sales realisation and advances from customer) of Rs.54.63 crores till March 2022. The total cash and bank balance remained at Rs.1.51 crores as on March 31, 2022. The company also has liquid investment to the tune of Rs.0.53 crores during FY22. The company has reported collections of Rs.28.29 crores during April-October 10, 2022.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	5.62	2.26
PAT	Rs. Cr.	1.97	0.88
PAT Margin	(%)	35.14	38.78
Total Debt/Tangible Net Worth	Times	8.70	2.34
PBDIT/Interest	Times	1.81	1.35

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Jul 2021	Secured Overdraft	Long Term	5.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE B+ Stable (Reaffirmed)
05 Mar 2020	Secured Overdraft	Long Term	5.00	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	35.00	ACUITE B+ Stable Reaffirmed

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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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