

Press Release

Aaditri Housing Private Limited

September 21, 2021

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 200.00 Cr. (Enhanced from Rs.50.00 Cr)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed & assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 200.00 crore bank facilities of Aaditri Housing Private Limited (AHPL). The outlook is '**Stable**'.

The rating reaffirmation takes into cognizance its experienced promoters, established brand presence, moderate funding and execution risk associated with the project. These strengths are partially mitigated by its moderate geographical concentration risk in revenue profile and inherent cyclicality in real estate industry.

Incorporated in August 2016, AHPL is a Guntur (Andhra Pradesh) based residential real estate developer, promoted by Mr. Chandra Mouli Yarra. AHPL is into the development of real estate projects in Andhra Pradesh and Telangana. AHPL is presently developing 3 projects - 1 in Guntur (Aaditri Evoca), 1 in Tirupati (Aaditri Empress) and 1 in Hyderabad (Aaditri Empire) with a cumulative saleable area of ~20.90 lakh square feet to construct ~1,455 flats.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of AHPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced promoters and established brand presence in the Andhra Pradesh region

AHPL is promoted and managed by Mr. Chandra Mouli Yarra, Managing director and Mr. Nageswara Rao Aluri, Chairman. Mr. Chandra Mouli Yarra has a decade of experience as a real estate developer through projects executed under AHPL's associate entities like 'Aaditri Developers private limited', 'CMD properties Private Limited' which are also into real estate business since 2010. The promoter's association with Tejas Constructions (engaged in civil construction activities mainly constructing government buildings) as a managing director since 2010 and being part of Margdarshi Chits Pvt Ltd for more than 25 years is an accompaniment to his industrial experience. Mr. Nageswara Rao Aluri, Chairman, hailing from Guntur, started his career as a civil contractor for roads and buildings department with an aim to become a real estate entrepreneur; showcasing two decades of experience in the civil construction segment. The promoters have successfully completed RERA approved 11 projects in the past through its associate entities covering a cumulative area of 3.41 lakh square feet with a project cost of Rs.127 crores. Besides, AHPL has recently completed construction of 2 projects named 'Aaditri Exotica' in Guntur and 'Aaditri Haricharanam' in Tirupati recently, cumulating to 5.3 lakh sq ft of saleable area covering 273 flats under AHPL.

Alongside, the brand equity of 'AADITRI' was well ingested in the AP and Hyderabad (Telangana) region. Succeeding in past projects, AHPL was incorporated with the intent of executing sizeable projects. This is unveiled through the execution of its 3 ongoing projects which are ~3.5x bigger the 13 completed projects in terms of area covered and ~3x higher in terms of total project cost incurred. AHPL, with its strategic positioning has created brand equity and is now among the top 10 real estate developers in Guntur, Andhra Pradesh. Acuite believes that the promoters have demonstrated strong execution capabilities with a reputation for quality and timely completion. Promoters industry and strong brand presence are expected to support a successful sale of the units in existing and upcoming projects, and timely completion of the projects.

• **Moderate execution and funding risk**

AHPL is presently developing 3 projects - 1 in Guntur (Aaditri Evoca), 1 in Tirupathi (Aaditri Empress) and 1 in Hyderabad (Telangana). The total saleable area of the aforesaid projects is 20.90 lakh square feet with a total project cost of ~Rs.513 crores. It is expected to be funded through 41 percent of debt (provisionary), ~10 percent of equity (in form of equity and unsecured loans) and remaining through customer advances. Cumulatively, AHPL has completed 39 percent of construction and incurred Rs.124 crores as on July 2021. The no. of flats booked were ~382 units as on July 2021 taking booking status at ~41 per cent and customer advances received as a percentage of sales value at 32 per cent. Promoter's contribution has been infused to an extent and Rs.27 crores of debt has been availed as on July 2021. The project risk associated with Aaditri Empire is relatively high with the project relatively being at nascent stage of construction and funding yet to be tied up. Acuite believes that timely funding and receipt of customer advances will provide a larger scope of financial flexibility over the medium term.

Weaknesses

• **Moderate geographical concentration risk; diversified recently in Telangana**

AHPL has majorly executed its past projects in Andhra Pradesh (Guntur and Tirupati). AHPL has demonstrated its ability to diversify its geographical presence by constructing one of its biggest project in Hyderabad (Telangana) with total saleable area of 13.50 lakh sq ft covering 320 flats. AHPL's plan to diversify in Telangana, through its recent project in Velimela (Hyderabad) is 1.5-2x times bigger than the past and on-going project at AHPL level. Telangana region is explored by AHPL with the brand presence of 'AADITRI' through past projects completed under the company name 'Siri homes infra India private limited'. The promoters have completed 5 projects covering an area of 96,916 square feet with a project cost of Rs.54 crores in Hyderabad. Acuite believes that AHPL would remain geographically concentrated until the successful completion of 'Aaditri Empire' in Hyderabad and receipt of healthy customer advances through the sale of entire units. Furthermore, AHPL would continue to remain exposed to intense competition from larger players in Telangana like Jayabheri group, Aparna Constructions and estates Pvt Ltd, Prestige Group, My Home group, Kalpataru Group, mantra Group, Lodha group, etc.

• **Inherent cyclicity 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 the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations.

Liquidity Position: Adequate

The company has healthy liquidity marked by prepayments on its long term debt obligations, a secured payment mechanism with Escrow account, DSRA for 3 months of interest and DSCR > 3 times (considering Aaditri Exotica cashflows too). Robust metrics on construction, customer advances and sales with moderate dependence on external debt aided to such healthy DSCR. AHPL is mainly dependent on customer advances for its project funding and debt repayment. To boost, Liquidity is supported by prepayment of its existing loan to the tune of ~Rs.16.3 crores through customer advances. Acuite expects AHPL to continue generating healthy surplus cashflows from its unsold inventory in the near to medium term to meet its repayment obligations as well as incremental construction costs.

Rating Sensitivities

- Timely realization of customer advances pending from sold inventory
- Lower than expected sales traction leading to increased dependence on debt
- Sharp decline in cash flow, by slackened salability of project or delays in project execution
- Weakening of the financial risk profile due to higher-than-expected borrowing.

Outlook: Stable

Acuite believes that the AHPL will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and strong brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt. 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	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	93.00	33.45
PAT	Rs. Cr.	4.19	0.82
PAT Margin	(%)	4.50	2.46
Total Debt/Tangible Net Worth	Times	1.83	1.22
PBDIT/Interest	Times	2.00	1.34

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

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
13-09-2021	Term Loan	Long Term	49.00	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BBB- / Stable (Reaffirmed)
04-08-2020	Proposed Long Term Bank Facility	Long Term	50.00	ACUITE BBB-/ Stable (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Term Loan	25-09-2020	10.65%	31-08-2025	49.00	ACUITE BBB- / Stable (Reaffirmed)
Not Applicable	Proposed Long Term Bank Loan Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- / Stable (Reaffirmed)
Not Applicable	Proposed Long Term Bank Loan Facility	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE BBB- / Stable (Assigned)

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About Acuité Ratings & Research:

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