

Press Release

Aaditri Housing Private Limited

December 20, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**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**'.

Rationale for the rating

The rating upgrade takes into account the healthy cashflows from its ongoing as well as from its new projects resulting into sweeping of the cashflows towards debt ahead of time. The upgrade is in consideration of the geographical diversification and low funding and implementation risk associated with its on-going projects.

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

About the Company

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 5 projects - 2 in Guntur (Aaditri Evoca and Aaditri Elite), 1 in Tirupati (Aaditri Empress), 1 in Hyderabad (Aaditri Empire), 1 in Vizag (Aaditri Embassy) with a cumulative saleable area of ~24 lakh square feet to construct ~1,415 flats/Villas.

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 9 projects in the past through its associate entities covering a cumulative area of ~3 lakh square feet with a project cost of Rs.113 crores and around 5.7 lakh square feet with a project cost of Rs.162 crores 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 5 ongoing projects which are ~4x bigger the 13 completed projects in terms of area covered and ~3.5x 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. Acuité 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 in a successful sale of the units in existing and upcoming projects, and timely completion of the projects.

- **Low execution and funding risk**

AHPL is presently developing 5 projects - 1 in Guntur (Aaditri Evoca), 1 in Tirupathi (Aaditri Empress), 1 in Hyderabad (Telangana) and 2 new projects - 1 in Guntur (Aaditri Elite) and 1 in Vizag (Aaditri Embassy). The total saleable area of the aforesaid projects is ~24 lakh square feet with a total project cost of ~Rs.743 crores. It is being funded through ~30-35 percent of debt (provisionary), ~10 percent of equity (in form of equity and unsecured loans) and remaining through customer advances. Cumulatively, AHPL has completed an average of 68 percent of construction and incurred Rs.324 crores as on November 30, 2022. The no. of flats booked were ~1,415 units as on November 30, 2022 taking booking status at ~86 per cent and customer advances received as a percentage of sales value at 60 per cent. This leads to low moderate risk. Moreover, funding has been tied up for all projects and reasonable amount of the loan drawn down has been swept out and prepaid against the outstanding debt. Acuité believes that timely 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 Tirupathi). 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 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. Acuité 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.

ESG Factors Relevant for Rating

Not Applicable

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.

Material covenants

None

Liquidity Position

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 > 2 times (excluding debt availed against land purchase and ~1.5 times (including repayment of debt against land purchase through the same cashflows). 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 through customer advances. Acuité 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.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	224.11	94.09
PAT	Rs. Cr.	5.68	2.15
PAT Margin	(%)	2.54	2.29
Total Debt/Tangible Net Worth	Times	3.67	1.94
PBDIT/Interest	Times	34.82	9.53

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
21 Sep 2021	Proposed Bank Facility	Long Term	150.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	49.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
13 Sep 2021	Term Loan	Long Term	49.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
04 Aug 2020	Proposed Bank Facility	Long Term	50.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not Applicable	Term Loan	Sep 25 2020 12:00AM	10.65	Aug 31 2025 12:00AM	Simple	49.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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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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