

Press Release
Aaditri Housing Private Limited
March 19, 2024
Rating Reaffirmed



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

Rating Rationale

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

Rationale for the rating

The rating reaffirmation considers, the improvement in AHPL's operating performance in terms of healthy sales and collection traction, for their Andhra Pradesh and Hyderabad based projects. Of the total six ongoing projects, two are nearing completion (one of them already completed). The rest of the projects are ongoing as per schedule.

The rating reaffirmation also takes into account the healthy cashflows from its ongoing projects resulting into sweeping of cashflows towards debt ahead of time. Further, AHPL has launched two new projects, wherein sales traction is expected to be high in view of prevailing healthy demand levels in the target market. Also, 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, Aaditri Housing Private Limited (AHPL) is a Guntur (Andhra Pradesh) based residential real estate developer, promoted by Mr. Yarra Chandra Mouli. AHPL is into the development of real estate projects in Andhra Pradesh and Telangana. AHPL is presently developing 6 projects - 3 in Guntur (Aaditri Evoca, Aaditri Exotica and Aaditri Elite), 1 in Tirupathi (Aaditri Empress), 1 in Hyderabad (Aaditri Empire), 1 in Vizag (Aaditri Embassy) and 2 new projects - 1 in Vishakhapatnam (Aaditri E Gateway) and 1 in Hyderabad (Aaditri Empire Villas) with a cumulative saleable area of ~42 lakh square feet to construct ~2663 flats/villas.

Unsupported Rating

Not Applicable

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 6 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 6 projects - 3 in Guntur (Aaditri Evoca, Aaditri Exotica and Aaditri Elite), 1 in Tirupathi (Aaditri Empress), 1 in Hyderabad (Aaditri Empire), 1 in Vizag (Aaditri Embassy). The total saleable area of the aforesaid projects is ~27 lakh square feet with a total project cost of ~Rs.743 crores. It is being funded majorly through customer advances and the rest by mix of debt and promotor infusion. Cumulatively, AHPL has completed approx. 65 percent of construction, incurring Rs.562 crores as on January 31, 2024. The no. of units booked stood at ~1814 units as on January 31, 2024 of the total saleable units of 1903. Thus, reflecting low demand and execution risk for these projects..

Further, the company has launched 2 new projects in January 2024 viz. Aaditri Empire Villas (Hyderabad) and Aaditri E Gateway (Vishakhapatnam). The total saleable area of the new projects is 13.52 lakh square feet. The total construction cost of these projects is ~Rs.399.00 Cr which is to be funded by Rs.38.00 Cr in debt and the rest by customer advances. The sales traction in these projects is expected to be high in view of healthy demand levels in the target area.

Acuité believes that timely receipt of customer advances and healthy sales traction will be a key financial parameter to be monitored 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 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 cyclicality 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.

Rating Sensitivities

- Timely realization of customer advances pending from sold inventory
- Execution of projects as per the timelines considered on the back of good sales and collection traction.
- Weakening of the financial risk profile due to higher-than-expected borrowing

Liquidity Position: Healthy

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. 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, strong brand presence in the real estate industry and healthy sales traction. 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 in its liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	319.57	224.11
PAT	Rs. Cr.	15.60	5.68
PAT Margin	(%)	4.88	2.54
Total Debt/Tangible Net Worth	Times	3.89	3.67
PBDIT/Interest	Times	59.75	34.82

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>
- 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
20 Dec 2022	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	150.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	49.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
21 Sep 2021	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	150.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	49.00	ACUITE BBB- Stable (Reaffirmed)
13 Sep 2021	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	49.00	ACUITE BBB- 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
Kotak Mahindra Bank	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	142.94	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	18 May 2023	Not avl. / Not appl.	31 May 2029	Simple	3.64	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	09 Feb 2022	Not avl. / Not appl.	31 Aug 2025	Simple	3.42	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	25 Sep 2020	Not avl. / Not appl.	31 Aug 2025	Simple	49.00	ACUITE BBB 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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