



**Press Release**  
**Honer Developers Private Limited**  
**September 06, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE BBB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to **ACUITE BBB- (read as ACUITE Triple B minus)** from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.150.00 Cr. bank facilities of Honer Developers Private Limited (HDPL). The outlook remains '**Stable**'.

**Rationale for Upgrade**

The rating upgrade considers the improved operational performance of HDPL in terms of healthy sales and collection traction. HDPL has also partly prepaid its loans through collections from customer advances. The Project "Honer Aquantis" is nearing completion stage with construction completed of 72.16 percent. The rating also draws comfort from the longstanding experience of promoters and reputation in the real estate sector and low funding risk and execution risk of the current on-going projects. However, the above mentioned strengths are partially offset by the geographical concentration risk of ongoing project. Further, the rating is also constrained by inherent cyclicity in real estate industry.

**About the Company**

Honer Developers Private Limited (HDPL), based out of Hyderabad, Telangana, was incorporated in 2016 by four experienced professionals from the retail sector namely Mr. Venkateswarlu, Mr. S Rajamouli, Mr. Balachandrudu and Mr. Y.S. Kumar. The company is engaged in real estate construction and development. The company is currently executing a residential project under the name of 'Honer Aquantis' in Gopanapally, Hyderabad, with a total saleable area of 19,94,830 sq. ft. HDPL has successfully completed 1.25 million sq. ft in the 'Honer Vivantis' project in FY2021. Under the SPV name, recently launched Honer Signatis with total leasable area of 7.8 million Sq fts. expected to be completed by February 2028. Honer is also executing one more project named as 'Honer Richmond' comprising of 142 villas at Kukatpally, Hyderabad.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of HDPL for arriving at the rating.

**Key Rating Drivers**

**Strengths**

**Longstanding experience of promoters and reputation in the South Indian market**

HDPL is led by promoters of RS Brothers Group and Big C Mobiles Group. The directors of the company have aggregately handled more than 4 million sq. ft. of real estate development in

Hyderabad, Vizag, Vijayawada, Rajahmundry, etc. for the last 14 years. Mr. P. Venkateswarlu has played the crucial role in creating the RS Brothers and South India Shopping Mall Group from scratch. Under his leadership, the Group has evolved, over 3 decades, to emerge as

the region's leading retail conglomerate. Mr. M. Balachandrudu the founder and Managing Director of Big C Mobile Group has been highly instrumental for the group's success as it is today. This has led to better ingestion of brand name of "HONER" in the market of Hyderabad region. Succeeding in the past projects HDPL was incorporated with the intent to execute sizeable and affordable housing projects in Hyderabad, Vizag, Vijayawada, etc. This is unveiled through an already executed project, "Honer Vivantis" with a total saleable area of 11,65,200 sq. ft. in Hyderabad region and currently ongoing projects "Honer Aquantis" with a total saleable area of 19,94,830 sq. ft., "Honer Signatis" with total leasable area of 7.8 million Sq fts. and "Honer Richmond" comprising of 142 villas at Kukatpally, Hyderabad. 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 existing units and upcoming projects and timely completion of the projects.

### **Low funding risk and execution risk**

The company is currently developing a project "Honer Aquantis" at a cost of about Rs.617.86 Cr. The total saleable area of the aforesaid project is 19.94 lakh square feet. It is to be funded through Rs.200 Cr of debt, Rs.8.74 Cr of equity (in form of equity and unsecured loans) and remaining through customer advances. As on May 2023, , HDPL has completed 72.16 percent of construction and incurred Rs.445.86 Cr. The no. of flats booked were 973 units as on May 2023. The entire promoter's contribution of Rs.8.76 Cr has been infused and 32.41 percent (Rs.200 Cr) of debt has been availed as on May, 2023. Out of the Rs.200 Cr of debt, Rs.163Cr is prepaid. Around 66.22 percent of the project cost is covered through customer advances. In case of any exigency, the promoters are expected to bring additional money to support the project. Acuité believes that adequate funds and customer advances in place provides a larger scope of financial flexibility and exhibits low execution risks and funding risks.

### **Weaknesses**

#### **Geographically concentrated projects**

HDPL has mostly executed its past projects in Hyderabad only. There are 3 ongoing projects which are each expected to > 2 million sq. ft. and located in Hyderabad. The company would remain geographically concentrated until any further diversification to a different state. Furthermore, HDPL would continue to remain exposed to intense competition from larger players in Telangana like Jayabheri Group, Aparna Constructions and Estates Private Limited, 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.

### **Rating Sensitivities**

- Timely realization of customer advances pending from sold inventory.
- Lower than expected sales traction leading to significant decline in cash flow due to slower customer advances or delays in project execution.

### **All Covenants**

Those usually found, applicable or relevant for / to transactions of this kind, more particularly set out in the definitive agreements/ contracts proposed to be executed for the facility.

### **Liquidity Position: Adequate**

The company has adequate liquidity marked by a secured payment mechanism with escrow account. Robust metrics on construction, customer advances and sales with lower dependence on external debt aided to healthy DSCR. HDPL is mainly dependent on customer advances for its project funding and debt repayment. Acuité expects HDPL to continue generating healthy surplus cash flows 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 HDPL 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	220.48	183.16
PAT	Rs. Cr.	69.01	8.80
PAT Margin	(%)	31.30	4.81
Total Debt/Tangible Net Worth	Times	0.79	4.44
PBDIT/Interest	Times	12.38	2.50

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

Not Applicable

### Any other information

Not Applicable

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Aug 2023	Proposed Long Term Loan	Long Term	75.00	ACUITE BB+ (Reaffirmed and Issuer not co-operating*)
	Term Loan	Long Term	75.00	ACUITE BB+ (Reaffirmed and Issuer not co-operating*)
11 May 2022	Proposed Long Term Loan	Long Term	75.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	75.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
15 Feb 2021	Proposed Bank Facility	Long Term	75.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	75.00	ACUITE BBB-   Stable (Reaffirmed)
20 Jan 2021	Term Loan	Long Term	75.00	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 Loan	Not Applicable	Not Applicable	Not Applicable	Simple	113.00	ACUITE BBB-   Stable   Upgraded
HDFC Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	37.00	ACUITE BBB-   Stable   Upgraded

Note: The total debt rated of Rs.150 Cr is towards Honer Aquantis Project. As on May 2023, debt of Rs.37 Cr stands outstanding on the project.

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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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