



Press Release
Shreshta Infra Projects Private Limited
August 02, 2023
Rating Assigned and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	100.00	ACUITE B Stable Assigned	-
Non Convertible Debentures (NCD)	400.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	400.00	-	-

Rating Rationale

Acuite has withdrawn the outstanding rating on the Rs.400.00 Cr NCD of Shreshta Infra Projects Private Limited (SIPPL).

The rating has been withdrawn on account of request received from the company and NDC received from Debenture Trustee as per Acuite's policy on withdrawal of ratings.

Acuite has assigned its long term rating of '**ACUITE B**' (read as **ACUITE B**) on Rs.100.00 Cr Non-Convertible Debentures of Shreshta Infra Projects Private Limited (SIPPL). The outlook is '**stable**'.

The rating takes into cognizance the experience of the promoter in real estate development, favorable project location and the support extended by the promoter developer through regular infusion of funds in the form of unsecured loans. These strengths are however, partly offset by the below average financial risk profile of the group, risk of project execution, poor liquidity position and exposure to the risks in the real estate industry.

About the Company

Shreshta Infra Projects Pvt Ltd. is a SPV floated by Adarsh Developers which is into development and construction of properties at prime locations in Bangalore. It is developing a residential villa project "Sanctuary" in Kodati, Bangalore. The project has a total of 172 units with 0.58 mn sqft of builtup area out of which SIPPL has a share of 118 Villas with 0.41 mn sqft. The project will be completed by February, 2024. Out of total 118 units in "Adarsh Sanctuary", 109 units has already been sold with 0.38 mn sqft. The company is also developing "Adarsh Savana", a plotted development project with saleable area of 2.84 mn sqft in Shreshta Infra Projects Pvt Ltd. Out of total 2.84 mn sqft, 1.63 mn sqft has been sold.

About the Group

About Alekhya Property Developments Private Limited (APDPL)

Alekhya Property Development Private Limited is a SPV floated by Adarsh Developers which is into development and construction of properties at prime locations in Bangalore. It is currently developing an apartment project "Lake Front" in Kaikondrahalli, North Bangalore. Earlier the project was launched in 2014, however due to some environmental issue the project was stalled and again relaunched in 2020. The project has a total of 344 units with 0.68 mn sqft of builtup area out of which APDPL has a share of full 344 villas with 0.68 mn sqft. Out of total 344

units, 337 units has already been sold.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Shreshta Infra Projects Private Limited (SIPPL) and Alekhya Property Developments Private Limited (APDPL) together referred to as the 'Adarsh Project Group' (APG). The consolidation is in the view of common management, cross collateralization of the NCDs and a similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

Experienced management and long operational track record

Adarsh Group has a long operational track record in the real estate industry for more than three decades. In addition to this, the partners Mr. BM Jayeshankar and Mr. BM Karunesh are highly experienced and actively involved in the operations of the group. Acuité believes that the long operational track record of the group and promoter's extensive understanding and expertise will support the group's growth plans going forward.

Weaknesses

Weak financial risk profile

The consolidated financial profile of APG is weak marked by negative networth, high gearing and weak debt protection metrics. The tangible net worth of the group deteriorated to Rs. (131.51) Cr as on March 31, 2023 (Est) from Rs.1.79 Cr as on March 31, 2021 on account of accumulated losses. Gearing of the group stood negative at 3.92 times as on March 31, 2023 (Est) as against 542.89 times as on March 31, 2022. The weak debt protection metrics of the group is marked by Interest Service Coverage Ratio (ICR) at 0.04 times and Debt Service Coverage Ratio at 0.03 times as on March 31, 2023 (Est). Acuité believes that financial risk profile of the group is expected to be improved over the medium term.

Exposure to the risks in the Real Estate Industry

The business is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The real estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to reduce prices.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Timely receipt of customer advances
- Improvement in financial risk profile
- Scheduled completion of project

Material covenants

None.

Liquidity Position

Stretched

The company's liquidity is stretched marked by low projected DSCR in the near to medium term. However, the group has total sales receivables of Rs.575.4 Cr as on 31st March 2023 and committed receivables of Rs.577.62 Cr from the unsold inventory. The cash and bank balance of the group stood at Rs.41.95 Cr as on March 31, 2023. However, the current ratio of the group declined to 1.61 times as on March 31, 2023 (Est) as compared to 2.27 times as on March 31, 2022. Acuité draws comfort from the promoter's regular fund infusion into the business. Acuité believes that going forward the group's liquidity position will be adequate in the near to medium term on account of presence of escrow accounts to ensure timely repayment upon stabilization of business.

Outlook: Stable

Acuité believes that the outlook on Adarsh Project Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, and financial flexibility. The outlook may be revised to 'Positive' in case the group makes substantial progress on the bookings over the medium term. Conversely, the outlook may be revised to 'Negative' in case there is significant drop in bookings or any deterioration of financial risk profile leading to pressure on liquidity

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	10.67	14.65
PAT	Rs. Cr.	(83.29)	(26.99)
PAT Margin	(%)	(780.83)	(184.26)
Total Debt/Tangible Net Worth	Times	542.89	89.78
PBDIT/Interest	Times	0.27	0.51

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
14 Oct 2022	Non Convertible Debentures	Long Term	400.00	ACUITE B Stable (Reaffirmed)
14 Oct 2021	Proposed Non Convertible Debentures	Long Term	400.00	ACUITE B 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
Edelweiss Financial Services	INE0CKK07029	Non-Convertible Debentures (NCD)	02 Nov 2021	19.21	01 Nov 2025	Simple	400.00	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE B Stable Assigned

*it has been fully redeemed in March'23.

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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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