



Press Release
SHRESHTA INFRA PROJECTS PRIVATE LIMITED
January 23, 2025
Rating Assigned, Upgraded & Partly Withdrawal

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	201.50	ACUITE BBB- Stable Assigned	-
Non Convertible Debentures (NCD)	68.00	ACUITE BBB- Stable Upgraded	-
Non Convertible Debentures (NCD)	282.00	ACUITE BBB- Upgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	269.50	-	-
Total Withdrawn Quantum (Rs. Cr)	282.00	-	-

Rating Rationale

Acuite has upgraded long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BB' (read as ACUITE double B) on the Rs. 68 Cr. of Non convertible debentures of Shreshta Infra Projects Private limited (SIPPL). The outlook is 'Stable'.

Acuite has assigned long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs. 201.50 Cr. bank loan facilities of Shreshta Infra Projects Private limited (SIPPL). The outlook is 'Stable'.

Acuite has withdrawn and upgraded long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BB' (read as ACUITE double B) on the Rs. 282 Cr. of Non convertible debentures of Shreshta Infra Projects Private limited (SIPPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Rationale for rating action

Acuite, vide its press release dated 27th December, 2024, had upgraded its rating by one notch against which the client had appealed and provided further information and clarification particularly with respect to sales velocity, cash flow position and implementation risk. Accordingly, Acuite takes note of group's low funding risk, supported by strong customer collections and an additional buffer from undisbursed bank loans amounting to Rs.110 crore out of a total sanctioned amount of Rs.495 crore. Further, it continues to factor in Adarsh Group's extensive experience in the real estate sector since 1988 and its proven track record in completion of nearly 12 million square feet of residential and commercial projects. Additionally, the rating continues to take into account the low demand risk associated with these projects, as nearly 90% of the total saleable area across all three companies has already been sold. Further, the group has consistently pre-paid its debt obligations ahead of the scheduled repayment dates. Additional comfort is drawn from the cash fungibility across the projects under all three companies, which aids in debt servicing.

However, the rating is constrained by geographical concentration risk and intense competition in the industry coupled with its susceptibility to real estate cyclicity and regulatory risks.

Furthermore, the group has proposed a composite scheme of arrangement for the merger and demerger of certain entities within the group. Any significant impact on financial risk position of SIPPL due to the proposed scheme will remain as key rating monitorable.

About the Company

Bangalore based Shreshta Infra Projects Private Limited was incorporated in the year 2011. The company is

engaged in development and construction of residential projects. The present directors of the company are Mr. Nischay Jayeshankar and Ms. Sudha Shanker.

About the Group

Akarshak Realty Private Limited (AKRPL) was incorporated in August 2011. The company is currently managed by Mr. B M Karunesh, Ms. Nidhi Jayashankar, Mrs. Sudha Shanker, and Mr. B V Ravikumar. The company is promoted by Mr. B M Jayeshankar and his associates. Mr. Jayeshankar is founder promoter of Adarsh Developers. AKRPL, is a sister concern of Adarsh Developers which is into developing properties at prime locations in Bangalore. Adarsh group (AG) is an established property development group focused primarily on the Bangalore property development market. AKRPL is currently developing residential project “Welkin Park1” in Bangalore. The Project has a total of 832 units and has 3 upcoming projects.

Alekhyia Property Development Private Limited (APDPL) is a group company of Adarsh Group. The directors of the company are Mr. B M Jayeshankar, Mr. B M Karunesh and Ms. Nidhi Jayashankar. APDPL, is a sister concern of Adarsh Developers which is into developing properties at prime locations in Bangalore. APDPL is currently developing residential project “Adarsh Lakefront Phase-1” in Bangalore. The Project has a total of 344 units.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profile of Akarshak Realty Private Limited, Shrestha Infra Projects Private Limited and Alekhya Property Development Private Limited, together referred as Adarsh group. Rationale for consolidation being common management, common line of business and cash flow fungibility between projects three companies for servicing their debt obligation.

Key Rating Drivers

Strengths

Experienced Management and long track record of operation

Adarsh group (AG) is a Bangalore based residential and commercial real estate developer established in 1988, promoted by Mr. BM Jayeshankar and Mr. BM Karunesh. Adarsh group is well established brand name in Bangalore and has experience of executing 12 mn.sq ft of residential and commercial projects over the past three decades. Adarsh group also has presence in hospitality industry through Adarsh Reality and Hotels Private limited (ARHPL). The Adarsh Group has a long-standing operational track record in the real estate sectors, with highly experienced promoters who are actively involved in operations. The group is currently executing projects like Welkin park under Akarshak Realty private limited, Adarsh Savana and Adarsh sanctuary under Shrestha Infra projects private limited and Adarsh Lakefront under Alekhya Properties private limited. These projects are located at prime location in Bangalore city such as Yelahanka, Choodasandra, sarjapur road and Bellandur. The locations are well developed both residential and commercially with further scope of development. Acuite believes that the promoters have demonstrated execution capabilities with a reputation for timely completion. Promoters' industry experience is expected to support in a successful sale of the units in the on-going project.

Moderate Project risk

The ongoing projects has total saleable area of 54.01 lakh Sq fts, with total project cost of Rs.1621 Cr. The project cost is funded through customer advances and bank loan. The funding risk remains moderate as the group has already completed debt tie up with lenders for amount of Rs.495 Cr. The group has incurred about 49 percent of project cost until september 2024 against which it has already received the bookings of 90 percent of total units and received customer advances of around 64 percent of the sales consideration as on September 30th 2024. Acuite believes that timely receipt of customer advances and timely completion of the projects will remain as key rating monitorable.

Weaknesses

Geographical concentration risk and intense competition in the industry

The group, through its promoter companies, has mostly executed its past projects in and around Bangalore. Moreover, the group is executing all the current projects in Bangalore. The group would remain geographically

concentrated until any further diversification to a different state. Furthermore, the group would continue to remain exposed to intense competition from larger players in Karnataka like Prestige Group, Brigade group, Shobha Group, Godrej properties, Puravankara Group, and Lodha Group, amongst others.

Susceptibility to Real Estate Cyclical, Regulatory Risks and intense competition in the industry

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 real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players.

Rating Sensitivities

- Timely completion of the projects
- Timely realisation of customer advances pending from sold inventory
- Timely sale of unsold inventory and realisation of its customer advances
- Any Sharp decline in cash flow due to slower customer advances or delays in project execution.

All Covenants

- The company shall ensure that, at all times any financial indebtedness of the company towards any of its shareholders, personal guarantors, affiliates and associates shall be subordinated to the debentures.
- The company shall ensure that, at all the times its market value exceeds its liability.
- The company shall provide relevant documents/information, as applicable, to enable the trustee to submit all reports and /or certifications that are required to be submitted by the trustee to the stock exchange in accordance with the SEBI DT operational circular.

Liquidity Position: Adequate

Liquidity of the group is aided by collections from customers and disbursement of bank loan. Moreover, liquidity is further strengthened by incremental collections from customers and financial flexibility from the promoters and undisbursed bank loan of Rs.110 Cr, which adds to the advantage to the group. Liquidity is expected to be remained adequate over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	531.72	197.40
PAT	Rs. Cr.	142.61	(284.83)
PAT Margin	(%)	26.82	(144.29)
Total Debt/Tangible Net Worth	Times	(6.42)	(3.36)
PBDIT/Interest	Times	3.09	(1.57)

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

Not Applicable

Any Other Information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
27 Dec 2024	Non-Covertible Debentures (NCD)	Long Term	350.00	ACUITE BB Stable (Upgraded from ACUITE B Stable)
	Non-Covertible Debentures (NCD)	Long Term	282.00	ACUITE BB (Upgraded & Withdrawn from ACUITE B Stable)
29 Dec 2023	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE B Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE B Stable (Assigned)
02 Aug 2023	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE B Stable (Assigned)
	Non-Covertible Debentures (NCD)	Long Term	400.00	ACUITE Not Applicable (Withdrawn)
14 Oct 2022	Non-Covertible Debentures (NCD)	Long Term	400.00	ACUITE B Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE0CKK08019	Non-Convertible Debentures (NCD)	17 Jan 2024	15.00	30 Jun 2027	68.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Not Applicable	INE0CKK07045	Non-Convertible Debentures (NCD)	17 Jan 2024	20.05	30 Jun 2027	282.00	Simple	ACUITE BBB- Upgraded & Withdrawn (from ACUITE BB)
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Jun 2027	186.50	Simple	ACUITE BBB- Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Akarshak Realty Private Limited
2	Shreshta Infra Projects Private Limited
3	Alekhyia Property Development Private Limited

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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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