

Press Release

Apex Meadows Private Limited

March 08, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 25.00 crore bank facilities of Apex Meadows Private Limited (AMPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating factors in the extensive experience of the promoter in real estate funding and development and healthy sales and collection traction for the period from Jan 2021 – Jan 2022 towards tower A, B, C, D, and E, despite the outbreak of Covid-19. The rating also draws comfort from the favorable location of the project. However, the rating remains constrained due to project's exposure to demand and execution risk for ongoing project i.e. tower D and E as well as planned tower F.

About the Company

AMPL is a Vishkhapatnam based company, incorporated in 2007. AMPL is a Special Purpose Vehicle (SPV) of SRS Investments Mauritius Limited (SRS), a company based in Mauritius. SRS holds 84 percent of AMPL and 16 percent is held by JM Financial Property Fund (JM). AMPL is constructing 'Celest' a premier project located in Chinagantyada Village, Gajuwaka on NH-5 in Visakhapatnam. The project consists of 6 towers, tower A – F. Of which tower A, B and C are complete and project D and E are expected to be complete by April 2024 and April 2023 respectively. The company is yet to launch tower F.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AMPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Extensive experience of promoters in funding real estate projects and development:**

AMPL is a Special Purpose Vehicle (SPV) of SRS Investments Mauritius Limited (SRS), a company based in Mauritius. SRS is the private equity arm of SRS Private Investments (SRSP), a global investment firm based in New York with expertise in real estate investment across India. SRS manages over \$300 million of offshore capital in India & has invested across multiple real estate projects like Supreme IT Park (Mumbai) completed in 2013, Svelte Hotel (New Delhi) completed in 2015. Also, the company has ongoing projects like Zone (Bhubneshwar), Aranya and Rosedale (Kolkata), in association with Shrachi group etc.

Acuite believes, AMPL will continue to benefit from the extensive experience of the promoter group in real estate funding and development.

- **Healthy sales and collection traction leading to comfortable financial risk and liquidity profile:**

Celest project consists of six towers – A, B C, D E, F. The construction has been completed for tower A, B and C, while tower D and E are partially complete.

The total project cost in case of tower A, B and C amounted to Rs. 201.00 Cr of which Rs. 192.00 Cr has been incurred until December 2021. The company has sold 249 units of the total 267 units and has collected Rs. 167.71 Cr until on December 31, 2021. The company sold 4 units of tower A, B and C in twelve-month period ended December 2021. Tower A, B and C collections from Jan 2021 – Jan 2022 amounted to Rs. 17.15 Cr.

Tower D was launched in August 2021. The total project cost is Rs. 90.60 Cr of which Rs. 45.30 Cr has been incurred until December 2021. The tower consists of 174 residential units of which 16 units have been sold until December 2021 against collections of Rs. 2.90 Cr and committed receivables of Rs. 12.97 Cr. Tower D collected Rs. 3.68 Cr until Jan 2022.

For tower E, the total cost is Rs. 106.00 Cr of which Rs. 53.67 Cr has been incurred until December 2021. Out of the total 192 units, 141 units have been sold until December 2021. The company sold 11 units in the twelve-month period ended on December 31, 2021. The company has collected Rs. 77.01 Cr and has committed receivables of Rs. 32.11 Cr until December 2021. The collections for the period thirteen-month period ended Jan 2022 accounted for Rs. 20.83 Cr in case of tower E.

The aggregate cash inflow against all towers amounted to Rs. 41.65 Cr for the period from Jan 2021 – Jan 2022. This has led to comfortable cash generation over the past year. Besides this all the projects are primarily funded by promoter's funds and no debt has been availed.

The healthy financial risk profile of the company is marked by healthy net worth, low gearing and adequate debt protection metrics. The net worth of the company stood at Rs. 84.32 Cr as March 31, 2021 against Rs. 76.12 Cr in the previous year. The total debt of AMPL as on March 31, 2021 was Rs. 3.41 Cr against Rs. 5.01 Cr as on March 31, 2020. The debt consists of only short term debt. The gearing (debt/equity) stood at 0.04 times as on March 31, 2021 against 0.07 times in the previous year. Despite the outbreak of covid 19, the financial risk profile of the company remained stable.

Acuite believes, adequate sales and collection traction towards tower D and E along with leasing income prospects for tower A remain key to maintain healthy financial risk profile.

Weaknesses

- **Funding and execution risk:**

Although construction is 95 percent completed in Tower A, B and C; Tower D and E each are only 50 percent complete. AMPL needs approximately Rs. 107.00 Cr. for the completion of the towers, the same can be funded through committed receivables on sold units Rs. 50.97 Cr. Besides the company has undrawn bank overdraft facility of ~Rs. 16.00 Cr. The balance cost would be covered through additional sales of tower D and E. Although funding risk is relatively lower due to receivables from sold units and bank facility the project is still susceptible to demand risk. Any volatility in the sales and collection traction of Tower D and E would adversely impact the completion of the towers, hence, the project is exposed to execution risk.

Acuite, believes healthy sales and collection traction towards tower D and tower E to ensure timely completion of the project.

- **Susceptibility of real estate cyclicity and regulatory risks:**

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. The current market scenario of COVID-19 would impact the completion of ongoing projects as, project sites are shut, migration of labour back to their hometowns and unavailability of raw material. The unsold inventory across eight major cities of the country stood at ~ 7 lac units as of March 2021 i.e. an inventory overhang of ~48 months. The residential sales during Q3 & Q4 of FY2021 showed a significant improvement over previous quarters. Also, the labour availability issues has been addressed for housing construction but there is a risk of an increase in prices of commodities such as steel and cement in the near to medium term.

Rating Sensitivities

- Timely completion of projects ensuring adequate liquidity for ongoing and planned projects.
- Deterioration in financial risk profile and liquidity due to reduction in sales and collection traction.

Material covenants

- TOL/ANW < 6x
- Current ratio >1.1x
- ISCR > 2x

Liquidity Position: Adequate

The liquidity of the company is adequate, marked by healthy collections against no repayment obligations as the company has not availed long term debt. AMPL recorded total collection of Rs. 41.65 Cr against tower A, B, C, D and E for the thirteen-month period ended January 2022. Also, the company has committed receivables of Rs. 50.97 Cr, undrawn overdraft limit of ~Rs. 16.00 Cr as on December 31, 2021 against funding requirement of ~Rs. 107.00 Cr. Going forward, the collections are expected to be ~Rs. 70.00 Cr in FY2023 and ~Rs. 61.00 Cr in FY2024 against no repayment obligations.

Outlook: Stable

Acuité believes that AMPL will maintain a 'Stable' outlook over the medium term on the back of extensive experience of the promoter company, adequate liquidity marked by healthy sale and collections. The outlook may be revised to 'Positive' in case the company manages to enhance its collections by entering into leasing agreements and increase the sales traction for ongoing tower D and E. Conversely, the outlook may be revised to 'Negative' in case of stretch in the group's liquidity position on account of delays in project execution or lower than expected sales traction towards these projects.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	58.00	24.66
PAT	Rs. Cr.	8.19	(1.28)
PAT Margin	(%)	14.13	(5.18)
Total Debt/Tangible Net Worth	Times	0.04	0.07
PBDIT/Interest	Times	35.48	(13.07)

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
CSB Bank Limited	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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