



**Press Release**  
**APEX MEADOWS PRIVATE LIMITED**  
**November 14, 2023**  
**Rating Upgraded**

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

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 25.00 crore bank facilities of Apex Meadows Private Limited (AMPL). The outlook is '**Stable**'.

**Rationale for rating upgraded**

The rating upgrade considers improved operational performance of AMPL in terms of healthy sales and collection traction. AMPL is engaged in developing a residential cum retail Project in Visakhapatnam under the name "Celest". The project is being developed in four phases. AMPL has fully completed construction of phase 1 and phase 2 and 3 stand completed around 85-95 percent as on September, 2023, indicating reduced execution risk. The total sold out percent as on September, 2023 stood at ~99% for phase 1 and 81% and 52% for phase 2 and 3 respectively. Further the advances received stand at ~75-99 percent of the sold value for the three phases as on September, 2023. The company also reduced its debt exposure for the project in the form of reduced overdraft limit. The healthy sales and collection traction is expected to support the company in maintaining an healthy DSCR over the medium term.

The company is yet to begin construction of phase 4 of the project which is currently at approval stage. The estimated cost to be incurred for this phase is ~Rs. 148 Cr and the balance cost to be incurred for the other phases is Rs. 18 Cr. As on September, 2023 considering the balance receivable from already sold units in the three phases i.e. ~Rs. 161 Cr. The funding risk for completion of project is low, considering the coverage ratio of 1.08 times of the balance receivables against expected cash outflows.

The rating remains constrained by the overall dependency of the project on customer advances and execution risk, susceptibility of real estate cyclicity and regulatory risk and ongoing litigation risks.

**About the Company**

AMPL is a Vishakhapatnam 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 (Phase 1) are completed in March 2021, project D (phase 3) and E (Phase 2) are completed in April 2023 and project F (phase 4) is yet to be launched. Phase 4 is expected to launched in Q3FY2024 completed by FY2026.

**Unsupported Rating**

Not Applicable

## **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of Apex Meadows

## 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 and JM Trustee Company (for / on behalf of JM Financial Property Fund) ("Trust" or "JMFPF"). SRS is the private equity arm of SRS Private Investments (SRSPi), 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), Arbana and Rosedale (Kolkata), in association with Shrachi group etc. JM Financial Trustee Company Private Limited one of the subsidiary of JM Financial Limited. Acuité believes, AMPL will continue to benefit from the extensive experience of the promoter group in real estate funding and development.

#### **Timely completion of towers and healthy sales and collection traction**

Celest project consists of six towers – A, B C, D E, F. The construction has been completed for tower A, B and C (phase 1), while tower D (phase 3) and E (phase 2) are at the final stage of completion. The total project cost in case of tower D, Tower E amounted to Rs.194.77 Cr of which Rs.176.44 Cr has been incurred until September 2023. The company has sold total of 509 units of the total 633 units and has collected Rs.332.58 Cr until on September 30, 2023.

The sales and collection traction are healthy for all the completed towers. The percentage area sold for all the three phases stands at average of 69 percent as of September 2023, against the construction cost incurred of 93.58 percent and collections of 91.36 percent. Besides this all the projects are primarily funded by promoter's funds and project advances and only secured overdraft limit has been availed. AMPL also has reduced its secured overdraft limit to Rs.10.00 Cr from Rs.25.00 Cr.

The healthy financial risk profile of the AMPL is marked by healthy net worth, low gearing and adequate debt protection metrics. The net worth of the company stood at Rs.111.57 Cr as March 31, 2023 as against Rs.88.75 Cr in the previous year. The total debt of AMPL as on March 31, 2023 was Rs.7.32 Cr against Rs.6.98 Cr as on March 31, 2022. The debt consists of only short term debt. The gearing (debt/equity) stood at 0.07 times as on March 31, 2023 against 0.08 times in the previous year.

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

#### **Dependency on customer advances and execution risk**

AMPL has yet to start the construction of Tower F (phase 4) and planning to complete by FY2026; for Tower D and Tower E AMPL has completed 90 percent of the construction. AMPL needs approximately Rs.148.38 Cr. for the completion of the towers, the same is funded through committed receivables on the sold units in other phases and future cash advances. Besides the company has undrawn bank overdraft facility of ~Rs.3.00 Cr. 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 developer having a city-specific or region-specific presence. The real estate industry is cyclical in nature of business and subject to price and interest rate risk, among others. Further, the industry is also exposed to regulatory risk, which can impact project execution.

### **Ongoing litigation risk**

A Corporate Insolvency Resolution Process ("CIRP") proceeding was instituted against the Company in CY2022 by a former employee who alleged non-payment of Rs. 16.26 crore along with interest of Rs.10.53 crore. National Company Law Tribunal (NCLT) had admitted a Corporate Insolvency Resolution Process ("CIRP") against the Company. The order was set aside by National Company Law Appellate Tribunal (NCLAT) vide its judgement dated March 01, 2023 and has directed NCLT to re-hear the matter. The financial liability expected on the company is ~Rs.26-30 Cr and is estimated to have limited impact on the overall financial position of the company. However, the matter as on date is still sub-judice.

### **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.
- Higher than expected financial liability or adverse order in the ongoing litigation matter.

### **All Covenants**

None

### **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. Robust metrics on construction, customer advances and sales with lower dependence on external debt aided to healthy DSCR. AMPL is mainly dependent on customer advances for its project funding. Acuité expects AMPL to continue generating healthy surplus cash flows from its unsold inventory in the near to medium term to meet its incremental construction costs.

### **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 or any adverse order in the ongoing litigation proceedings against the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	87.14	36.52
PAT	Rs. Cr.	22.81	4.44
PAT Margin	(%)	26.18	12.15
Total Debt/Tangible Net Worth	Times	0.07	0.08
PBDIT/Interest	Times	21.71	5.17

### 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>
- 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, 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
26 May 2023	Secured Overdraft	Long Term	25.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
08 Mar 2022	Secured Overdraft	Long Term	25.00	ACUITE BBB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+   Stable   Upgraded
CSB Bank Limited	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+   Stable   Upgraded

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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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