

Press Release

Avinash Developers Private Limited

March 31, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	87.50	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	87.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to Rs. 87.50 Cr bank facilities of Avinash Developers Private Limited (ADPL). The outlook is '**Stable**'.

The rating assigned to Avinash Group reflects the experience of the promoters, favorable location and the willingness of the promoter to support the business through regular infusion of funds in the form of unsecured loans. These strengths are however, partly offset by the risk of project execution and exposure to the risks in the real estate industry.

About the Company

Established in 1996, Avinash Group (AG) is a Raipur based real estate builder. The group develops residential & commercial real estate and also operates Magneto Mall in Chhattisgarh. AG has completed more than 30 projects spread over more than 10 million square feet of residential and commercial property over the years. Currently, the group is developing 12 projects, which spread across 7 million square feet. Additionally, AG has more than 1200 Acres of land bank which they intend to develop over the next few years.

About the Group

The Avinash Group comprises several companies as enumerated below:
Avinash Developers Private Limited (ADPL), Avinash Builders and AIM Infrastructure and Developers.

Analytical Approach

For arriving at this rating, Acuite has consolidated the business and financial risk profiles of Avinash Developers Private Limited (ADPL), Avinash Builders and AIM Infrastructure and Developers, together referred to as the 'Avinash Group' (AG). The consolidation is in the view of common management, parent subsidiary relationship, strong operational linkages between the entities and a similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

Experienced management and long operational track record

Avinash group has a long operational track record in the real estate industry for more than

two decades. In addition to this, the promoters Mr. Anand Kumar Singhania and Mr. Mukesh Singhania 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.

Financial flexibility of the group

The group has a willingness to support their businesses, demonstrated from the continuous infusion of unsecured loans into the business. The group over the years has infused Rs.77.96 Cr till March'21 to support their business operations. Acuité believes that the group shall continue to benefit from the financial, operational and management support from the promoters as and when required.

Steady cash flow

The group has steady cash inflows from the rental income generating from Magento mall, customer advance received from the ongoing projects and booking money received from completed projects. The rental cash inflow from the mall is expected to be Rs.16.08 Cr as against a cash outflow of only Rs.11.80 Cr only thereby having a surplus of Rs.4.28 Cr. Moreover, the total cash inflow of the group during FY22 is expected to be Rs.256.86 Cr as against a total outflow of Rs.189.45 Cr, thereby having a surplus of around Rs.67.41 Cr and a DSCR of 1.83 times which is expected to improve significantly going forward. Further, the group has committed receivables from its sold inventory worth Rs.356.40 Cr. In addition to this, Rs.191.69 Cr is expected to be received from the unsold inventory of completed projects against which no incremental costs are to be incurred. Therefore as against a total debt of approximately Rs.125 Cr against the projects and Rs. 70 Cr against the Mall (LRD), the group already has a receivable of Rs.548 Cr. Acuité believes that the timely receipt of customer advances and booking money received would be a key monitorable going forward.

Weaknesses

Moderate financial risk profile

The group's moderate financial risk profile is marked by healthy network, moderate gearing and average debt protection metrics. The tangible net worth of the group increased to Rs.269.84 Cr as on March 31, 2021 from Rs.260.53 Cr as on March 31, 2020 due to accretion of reserves. Gearing of the group stood moderate at 1.09 times as on March 31, 2021 as against 1.20 times as on March 31, 2020. The average debt protection metrics of the group is marked by Interest Service Coverage Ratio (ICR) of 1.20 times. 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

Real estate projects are prone to varying degrees of uncertainty, both at the macro-level, which affects the economy as a whole and at the sector level. The projects are prone to local, state, and national laws and regulations (governing acquisition, construction and development of land, etc.). Failure to comply with such rules and regulations often lead to delays or in the worst case, complete closure of the project; all of which may lead to a complete or partial loss of capital invested.

Real estate sector is also highly susceptible to economic cycles. Health of an economy in terms of GDP, employment data, manufacturing activity, prices of goods, etc. affects the value of real estate in such a way that when economy is sluggish real estate sector is affected in a similar way.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The promoters have provided fund in the form of unsecured loan to the group from time to time as required; which provides financial flexibility to the group. The total cash inflow of the group during FY2022 is expected to be Rs.256.86 Cr (provisional) as against a total outflow of Rs.189.45 Cr (provisional), thereby having a surplus of around Rs.67.41 (provisional) against which the company has a long term debt repayment of 14.39 Cr. The shortfall in repayment, have been met from the cash flow of the under construction projects. The fund based limit remains utilised at around 78 per cent over the seven months ended February, 2022. However, the current ratio stood strong at 2.41 times as on March 31, 2021 as compared to 2.39 times as on March 31, 2020. Acuite believes that going forward the group will improve liquidity position due to steady accruals buoyed by improvement in revenue realization.

Outlook: Stable

Acuite believes that the outlook on Avinash Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and financial flexibility of the group. 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	128.20	137.44
PAT	Rs. Cr.	2.82	5.33
PAT Margin	(%)	2.20	3.88
Total Debt/Tangible Net Worth	Times	1.09	1.20
PBDIT/Interest	Times	1.20	1.30

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>
- 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

<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
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	72.50	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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