



Press Release
AVINASH DEVELOPERS PRIVATE LIMITED
July 28, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	330.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	87.50	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	417.50	-	-

Rating Rationale

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

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.330.00 Cr bank facilities of Avinash Developers Private Limited (ADPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation takes into account the steady cash flows from its completed as well as ongoing projects. The cash inflows from its projects stood at Rs.368.52 in FY2023 (Provisional) as against the cash outflows of Rs.222.93 Cr, thereby having a surplus of Rs.145.59. The DCSR stood strong at 3.75 times over the same period. The rating also considers the long operational track record of the group and the experienced management.

Furthermore, the rating derives comfort from the willingness of the promoters to support the business through regular infusion of funds in the form of unsecured loans. The group over the years has infused Rs.102.59 Cr till now to support their business operations.

However, these strengths are, 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 group is managed by Mr. Anand Singhania and Mr. Mukesh Singhania. Currently, the group is developing 13 projects, which spread over 7 million square feet.

About the Group

The Avinash Group comprises several companies as enumerated below:

Raipur based AIM Infrastructure and Developers is a partnership firm established in 2016. The partners of the company are Mr. Anand Singhania and Mr. Mukesh Singhania. The focus of the firm is on developing projects with uncompromising standards of quality. It ensures that it meets the special demands of its discerning customers and provide them with the best option in today's real estate market.

Established in 2014, Avinash Builders is a partnership firm based in Raipur. The firm is headed by

Mr. Anand Singhania and Mr. Mukesh Singhania. It is involved in developing residential and commercial real estate in Raipur.

Analytical Approach

For arriving at this rating, Acuité 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.

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 total cash inflow of the group during FY23 is estimated at Rs.368.52 Crs as against a total outflow of Rs.222.93 Cr, thereby having a surplus of Rs.145.59 Cr and a DSCR of 3.75 times which is expected to improve significantly going forward.

The group has committed receivables from its sold inventory worth Rs.641.24 Cr and is expected to receive Rs.1591.23 Cr from its unsold inventory. In addition to this, Rs.99.14 Cr is expected to be received from the unsold inventory of completed projects.

Acuité believes that the timely receipt of customer advances and booking money received would be key monitorable 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.102.59 Cr till now 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.

Weaknesses

Moderate financial risk profile

The group's moderate financial risk profile is marked by healthy networth, modest gearing and moderate debt protection metrics. The tangible net worth of the group decreased to Rs.266.03 Cr as on March 31, 2022 from Rs.269.84 Cr as on March 31, 2021 on account of decrease in the reserves. Gearing of the group stood moderate at 1.28 times as on March 31, 2022 as against 1.09 times as on March 31, 2021. The moderate debt protection metrics of the group is marked by Interest Service Coverage Ratio (ICR) at 1.41 times and the Debt Service Coverage Ratio at 0.95 times as on March 31, 2022.

Acuité believes that financial risk profile of the group is expected to improve over the medium term on account of the gradually improving cash accruals.

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 company. The total cash inflow of the group during FY2023 is estimated at Rs.368.52 Crs as against a total outflow of Rs.222.93 Cr, thereby having a surplus of Rs.145.59 Cr and a DSCR of 3.75 times against which the company has a long term debt repayment of Rs.12.40 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 88 per cent over the six months ended March, 2023. The current ratio stood strong at 2.45 times as on March 31, 2022 as compared to 2.41 times as on March 31, 2021.

Acuité believes that going forward the group's liquidity position will improve due to steady accruals backed by improvement in revenue realization.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	171.45	128.20
PAT	Rs. Cr.	6.58	2.82
PAT Margin	(%)	3.84	2.20
Total Debt/Tangible Net Worth	Times	1.28	1.09
PBDIT/Interest	Times	1.41	1.20

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>
- 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, 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2023	Cash Credit	Long Term	7.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	80.00	ACUITE BBB Stable (Reaffirmed)
31 Mar 2022	Proposed Bank Facility	Long Term	7.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	72.50	ACUITE BBB 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
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	64.20	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	34.76	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	103.64	ACUITE BBB Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	80.00	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB Stable Assigned
HDFC Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	32.00	ACUITE BBB Stable Assigned
HDFC Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.60	ACUITE BBB Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	22.80	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	37.00	ACUITE BBB Stable Assigned

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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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