

Press Release

Mahaavir Superstructures Private Limited

August 24, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	70.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.70.00 crore bank facilities of Mahaavir Superstructures Private Limited (MSPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account MSPL's comfortable liquidity profile on back of healthy sales and average collection traction in the 'Mahaavir Exotique Phase 1' project. It also draws comfort from Mahaavir Group's over 30 years of presence in the real estate business supported by experienced management. The rating, however, is constrained by significant project completion risk and susceptibility to real estate cyclical and regulatory risks. The timely completion of the project will remain a key rating sensitivity.

About the Company

MSPL incorporated in the year 2019, is a Mumbai based residential real estate developer promoted by Mr. Omprakash Chhajera and his son Mr. Mohnish Chhajera. The company is a part of Mahaavir Group established in the year 1988, a premium real estate developer in Navi Mumbai having a past record of completing more than 30 projects amounting to 3.4 million sq. ft. till date. MSPL is currently executing its residential project named 'Mahaavir Exotique Phase 1' in Kharghar, Navi Mumbai started in September 2021.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of MSPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and strong brand presence of the group in Navi Mumbai
MSPL incorporated in the year 2019, is a part of Mahaavir Group that is engaged in developing residential real estate development projects. The group has an established operational track record of over three decades. MSPL is promoted by Mr. Omprakash

Chhajer who possesses more than three decades of varied experience across sectors like Textile Trading, Manufacturing of Edible Oil & Real Estate. He is supported by his son Mr. Mohnish Chhajer into the business. The promoters are being supported by its team of experienced professionals in managing day to day operations of MSPL. The extensive experience of the promoters has enabled MSPL to establish a healthy relationship with the contractors and the material suppliers.

Acuité believes that the promoters experience in the construction and real estate industry in Navi Mumbai area are expected to support in timely completion of the project.

Comfortable liquidity profile on account of healthy sales and average collection traction

MSPL's 'Mahaavir Exotique Phase 1' project has an estimated project cost of Rs.142.57 Cr, wherein construction has just started in September 2021. The project is funded through 41 percent of term loan, 23 percent of promoters contribution and 36 percent of customer advances/sale proceeds. As on May 31, 2022, ~25 percent units have already been sold with total sales value of Rs. 49.45 Cr. Against that MSPL has already collected Rs.7.71 Cr. from its customers. The company generated sales of Rs.34.18 Cr for 7M FY2022 with an average monthly sales of Rs.4.88 Cr. and average monthly collection of Rs.0.77 Cr. However, the repayment obligations on the debt are expected to begin from Q2 FY2026.

Acuite thus expects MSPL's liquidity profile to remain comfortable over the medium term account of healthy sales and collection traction and moratorium on repayment obligation during the construction phase of the project.

Weaknesses

Project execution risk

MSPL has started work on its project 'Mahaavir Exotique Phase 1' located at Kharghar, Navi Mumbai in September 2021. The total project cost is expected to be Rs.142.57 Cr. This is planned to be funded by Rs.70 Cr. of debt, Rs. 39 Cr. of promoter funds and the rest by customer advances and financial tie ups has been completed. Currently, Rs.22.84 Cr has been incurred and only 16 percent of construction is completed. Therefore, the project is exposed to significant completion risk and demand risk. These are however mitigated to some extent on account of the management's extensive experience of developing projects in the Navi Mumbai area, Currently, the excavation is completed and plinth work is in process..

Acuite believes completion of the project without significant time and cost overruns will remain a key rating sensitivity.

Inherent cyclicity in Real Estate sector

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 Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt, which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developer's ability to significantly reduce prices to augment sales growth.

Rating Sensitivities

- Timely realization of customer advances pending from the sales of unsold inventory
- Lower than expected sales traction leading to increased dependence on debt
- Sharp decline in cash flow, by slackened salability of project or delays in project execution

Material covenants

None

Liquidity position - Adequate

MSPL has generated monthly average sale of Rs.5.49 Cr and average monthly collection of Rs.0.86 Cr for the period September 2021 to May 2022. Against that it does not have any principal repayment till FY2026. Further the terms of the sanction also include conditions for ensuring adequate liquidity such as escrow mechanism secured with debt service reserve account equivalent to 3 months interest. Further, promoters also have good fund infusion ability in case of any exigency. MSPL is expected to generate cash inflows in the range of Rs. 27 – 48 Cr. over FY2023 - FY2024 against interest repayment of ~Rs.11 Cr. for the same period.

Outlook: Stable

Acuité believes that the MSPL will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and strong brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt further towards the project. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than expected bookings and advance leading to stretch on its liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.20)	(0.02)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(215.05)	(11948.75)
PBDIT/Interest	Times	(12.20)	(478.32)

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>
- 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:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	70.00	ACUITE BB+ 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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