



**Press Release**  
**Mahaavir Superstructures Private Limited**  
**November 22, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.70.00 Cr bank facilities of Mahaavir Superstructures Private Limited (MSPL). The outlook is '**Stable**'.

**Rationale for rating upgrade**

The rating upgrade of MSPL is primarily on account of robust construction and sale progress witnessed by the company in its ongoing project 'Mahaavir Exotique Phase 1' during the review period. MSPL has completed ~42 percent of construction of its project 'Mahaavir Exotique Phase 1' as of September 30, 2023, against which it has received ~70 percent bookings with customer advances received of ~33 percent as a percentage to total saleable value. The total developer saleable area of the aforesaid project is 4.48 lakh square feet, out of which 3.24 lakh square feet has been sold as of September 30, 2023, which is ~72 percent of the total space.

Further, the rating also draws comfort from the extensive experience of the promoters in the real estate segment as well as adequate liquidity backed by healthy sales and average collection traction. The rating is however constrained on account of moderate execution risk in MSPL's ongoing project and its exposure to the inherent cyclicity in the real estate market. Going forward, the sales collections and timely completion of company's ongoing project will remain key rating sensitivity factors.

**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.

**Unsupported Rating**

Not Applicable

**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 is expected to support in timely completion of the project.

### **Robust construction and sale progress**

MSPL has completed ~42 percent of construction of its project 'Mahaavir Exotique Phase 1' as of September 30, 2023, against which it has received ~70 percent bookings with customer advances received of ~33 percent as a percentage to total saleable value. The total developer saleable area of the aforesaid project is 4.48 lakh square feet, out of which 3.24 lakh square feet has been sold as of September 30, 2023, which is ~72 percent of the total space.

The total project cost of ~Rs.190 Cr is expected to be funded through ~Rs.70 Cr of term loan from the bank i.e., ~37 percent, promoters' contribution of ~Rs.39 Cr i.e., ~20 percent and the remaining amount through customer advances of ~Rs.81 Cr i.e., ~43 percent. Out of which, the promoters have brought in ~Rs.41 Cr i.e., ~21 percent of their contribution, sanctioned debt drawn from the bank of ~Rs.11 Cr i.e., ~5 percent and the customer advances received of ~Rs.67 Cr i.e., ~35 percent as of September 30, 2023.

### **Weaknesses**

#### **Moderate project execution risk**

MSPL started the construction of its project 'Mahaavir Exotique Phase 1' in September 2021 and is expected to be completed by December 2026. As of September 30, 2023, MSPL incurred a total project cost of Rs. ~103 Cr against the estimated total project cost of ~Rs. 190 Cr i.e., ~54 percent. The construction cost of the project is ~Rs.130 Cr, out of which ~Rs.54 Cr has been incurred as of September 30, 2023, i.e., ~42 percent. The project is therefore exposed to moderate execution risk; however, it is mitigated to some extent on account of management's extensive experience of developing the projects in Navi Mumbai.

Acuite believes that timely completion of the said project without any significant delays and cost overruns will remain a key rating sensitivity factor.

#### **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 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 sold inventory
- Lower than expected sales traction leading to increased dependence on debt
- Sharp decline in cash flow by slackened saleability of project or delays in project execution

**All Covenants**

Not applicable

**Liquidity Position - Adequate**

MSPL has generated monthly average sale of ~Rs.11 Cr during FY2023 and ~Rs.7 Cr during 6M FY2024 with an average monthly collection of ~Rs.3 Cr and ~Rs.4 Cr during the same period. Against that, it does not have any scheduled principal repayment obligation till FY2025. Further, the terms of sanction also include conditions for ensuring adequate liquidity such as escrow mechanism secured with debt service reserve account equivalent to 3 months interest. In addition to this, the promoters also have good fund infusion ability in case of any exigency. MSPL is expected to generate cash inflows in the range of ~Rs.100 Cr to ~Rs.130 Cr. over FY2025 - FY2026 against the debt repayment obligation of ~Rs.43 Cr. during the same period.

**Outlook: Stable**

Acuité believes that 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.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.02	0.00
PAT	Rs. Cr.	(0.04)	(0.05)
PAT Margin	(%)	(208.68)	0.00
Total Debt/Tangible Net Worth	Times	2.38	(812.81)
PBDIT/Interest	Times	(0.36)	(39.63)

### 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

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
24 Aug 2022	Term Loan	Long Term	70.00	ACUITE BB+   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
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	70.00	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Nilesh Soni Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:nilesh.soni@acuite.in">nilesh.soni@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.