



Press Release
ARTECH REALTORS PRIVATE LIMITED
January 16, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	125.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	125.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B Minus) on Rs.125.00 Cr. bank facilities of Artech Realtors Private Limited (ARPL). The outlook is 'Stable'.

Rationale for rating:

The rating considers moderate sales and collection traction in its ongoing projects. ARPL as on date has completed construction of 5 projects. During the 6 months period (April 2024 - September 2024) the company has sold total area of 1,72,966 Sq.Ft. The sales velocity is moderate upto Sept 2024. Further, the rating also factors in the location advantage of the on-going projects as well as completed projects in the state of Kerala across multiple cities. However, these strengths are partially constrained by ARPL's exposure to execution, funding risk and its susceptibility to real estate cyclicity and regulatory risk.

Acuite believes that, established brand name in the State and long track record of completing projects on time will help in driving the sales of the ongoing projects over the medium term.

About the Company

Artech Realtors Private Limited (ARPL) was incorporated in the year 1994. The company is engaged in real estate development in the state of Kerala. The promoters include Mr. T.S. Asok, the Managing Director, Ms. Lekha Thankamony Amma, Director. The company has completed and launched 71 projects in various locations in Trivandrum, Kollam, Kottayam, Thrissur and Thiruvalla covering more than 10 million square feet area in affordable luxury to ultra luxury dwelling units.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken a standalone view of the business of ARPL to arrive at the rating

Key Rating Drivers

Strengths

Experienced management, demonstrated track record of completed and on going projects

ARPL is into real estate business since 1994. The company is promoted and managed by Mr. T. S. Asok and Mrs. T Lekha. The promoters have almost three decades of experience in the construction and development of real estate. The company has an established track record of developing an area of more than 100 lakh square feet. Since inception, Group has completed around 71 projects and with a successful track record in past projects, the company has the intent of executing larger residential projects.

The company completed construction of 5 projects in the current year with outstanding inventory of 1,68,775 sq ft

as on December 31, 2024. Currently, company is developing 3 residential projects in Sasthamangalam, Sreekaryam, Pattom. The company has obtained all the necessary approvals for its ongoing projects. Out of the total area of 6.82 lakh sq. ft. for the 3 ongoing projects the company has sold of 1.72 lakh sq. ft. until Sept 30, 2024.

Acuite believes the established track record of the company and its extensive experience in developing residential

projects will help the company in maintaining its business risk profile.

Steady construction pace backed by moderate sales and collection traction

In 5 completed projects namely Kaazcha, Rainforest, Inspire, Freedom and Elite, ARPL completed 100 percent construction and sold area of 6,12,489 Sq. Ft. which accounts for around 78 percent of total saleable area. Further ARPL has 3 ongoing projects namely Panorama, Marvel, Lattitude with total saleable area of 6,82,045 Sq.Ft, of which company has sold area of 1,72,966 Sq.Ft till September 2024. The company has completed construction of around 24 per cent of construction and sold area of 25.36 per cent as on date.

The collections from the sale of completed projects which are around 34.56 per cent of total sales consideration demonstrates company's ability to timely complete the projects and with high collection traction.

Acuite believes that continued sales and collection traction will remain a key sensitivity for generating sound cash flows commensurate with its cost and repayment obligations.

Weaknesses

Exposure to execution and funding Risk

The estimated total cost for ARPL's ongoing projects is Rs. 328.72 Cr. (Rs. 125 Cr. funded through debt, Rs. 148.72 Cr. through advance bookings, Rs. 55 Cr. through promoter's contribution) out of which the company has already incurred cost of Rs. 79.49 Cr. which is ~ 24 per cent as on September 30, 2024. ARPL is yet to incur Rs. 249.23 Cr. towards the completion of the projects which it is expected to meet through committed receivables and disbursement of the remaining loan.

This exposes company to project execution risk and funding risk as the company is primarily depended upon the customer advances and borrowings for completing the construction of the projects. Any volatility in the sales and collection traction of the projects would adversely impact the completion of the projects, exposing the projects to execution risk. However, given the healthy sales and collection traction towards the project till date, execution risk is mitigated to an extent.

Susceptibility to Real Estate Cyclical and Regulatory Risks

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 real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players.

Rating Sensitivities

- Lower than expected sales traction leading to increased dependence on debt
- Sharp decline in cash flow due to slower customer advances or delays in project execution

Liquidity Position

Adequate

ARPL has adequate liquidity which is evident from timely receivables from customers which is sufficient to repay the debt obligations. ARPL is expected to generate cash flows in the range of Rs.59.13 Cr. to Rs.275.34 Cr. in the medium term which are against the repayment obligation ranging Rs.22.36 Cr. to 79.60 Cr. over the same period. The company is mainly dependent on customer advances for its project funding and proportion of external debt is relatively low which has resulted in healthy DSCR. The DSCR is estimated to remain in the range of 1.01 times – 10.76 times over the medium term. Acuite expects ARPL to continue generating healthy surplus cash flows from its unsold inventory in the near to medium term to meet its repayment obligations as well as incremental construction costs. Further, presence of Escrow mechanism and timely inflow of cash from the project will ensure ARPL to maintain its liquidity position at comfortable level.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	137.54	124.77
PAT	Rs. Cr.	8.15	7.34
PAT Margin	(%)	5.93	5.88
Total Debt/Tangible Net Worth	Times	1.53	1.84
PBDIT/Interest	Times	2.08	1.89

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
19 Oct 2023	Term Loan	Long Term	6.84	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	18.85	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	18.51	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	38.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	21.41	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.39	ACUITE BBB- Stable (Assigned)
14 Mar 2023	Term Loan	Long Term	36.93	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.07	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.17	Simple	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 May 2034	8.39	Simple	ACUITE BBB- Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2026	12.71	Simple	ACUITE BBB- Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Oct 2028	3.21	Simple	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2026	37.20	Simple	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2027	12.30	Simple	ACUITE BBB- Stable Reaffirmed
Kerala Financial Corporation	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Feb 2028	18.91	Simple	ACUITE BBB- Stable Reaffirmed
Kerala Financial Corporation	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Feb 2029	14.71	Simple	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 May 2029	14.40	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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