

## Press Release

Abhishek Propbuild Private Limited

April 27, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1404.00	ACUITE D   Assigned	-
Total Outstanding Quantum (Rs. Cr)	1404.00	-	-

## Rating Rationale

Acuite has assigned its long term rating of **ACUITE D (read as ACUITE D)** to the Rs.1404.00 Cr bank facilities of Abhishek Propbuild Private Limited (APPL).

### Rationale for rating

The rating assigned reflects the delay in servicing of debt obligation by APPL as confirmed by its respective banker. The rating is, albeit, constrained by its average financial risk profile, working capital intensive operations and inherent cyclicity in real estate industry.

## About the Company

Bangalore based, Abhishek Propbuild Private Limited (APPL) was incorporated in 2017, and directed by Mr. Thippareddygar Harikrishna Reddy, and Mr. Mohankumar Singapura Jayanna . The company is engaged in real estate activities. APPL is a subsidiary of Mantri Developers Private Ltd and is part of Mantri Group. APPL operates a commercial complex named as 'Mantri Square mall' located at Malleshwaram, Bangalore. Total area of the building is 8.75 Lakhs Sq.ft and leased out to various tenants.

## Analytical Approach

Acuite has considered standalone business and financial risk profile of Abhishek Propbuild Private Ltd(APPL) to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Experienced management and established track record in real estate

Abhishek Propbuild Private limited (APPL) is managed by Mr. Thippareddygar Harikrishna and Mr. Gopinath Raj Kumar. APPL is a subsidiary of Mantri Developers Private Ltd and part of Mantri Group, which has an experience of more than two decades in real estate and construction business. Mantri group has long track record in execution of residential and commercial projects in cities like Bengaluru, Hyderabad, Chennai, Pune and Delhi.

## Weaknesses

### **Below average financial risk profile and working capital intensive operations**

The financial risk profile of the company has remained average with average capital structure and debt protection metrics. APPL's net worth of the group stood at Rs. 90.04 Cr as on March 31, 2022 as against Rs.88.94 Cr as on March 31, 2021 due to acceleration in profits. The gearing of the company stood high at 20.25 times as on March 31, 2022 as against 20.05 times as on March 31, 2021 on account of low net worth due to increase in debt exposure. Debt protection metrics stood average with interest coverage ratio and debt service coverage ratio stood at 1.18 times and 1.05 times respectively as on March 31, 2022 as against 1.10 times and 1.06 times respectively as on March 31, 2021. TOL/TNW stood at 26.23 times and 25.90 times as on March 31, 2022 and 2021 respectively. APPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 2455 to 4406 days during last 3 years through FY2022. Current ratio remained stable at 1.98 times as on March 31st 2022 and as on March 31st 2021.

### **Delays in servicing of debt obligations**

As per banker's feedback APPL has delays in servicing of its interest and principal obligations in FY2023. APPL has delayed in servicing of its debt obligation in the month of March '23 and currently the account has been classified under SMA0 category.

### **Susceptible to real estate cyclicity 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 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. APPL is exposed to the risk of volatile prices on account of demand-supply mismatches in the Bangalore real estate market. The company is exposed to market risks for pricing and timely collection, particularly if there are sustained lockdowns owing to Covid-19 pandemic. Further, the industry is exposed to regulatory risk, which is likely to impact players such as APPL, thereby impacting its operating capabilities.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

- Regular servicing of its debt obligations.

### **Material covenants**

None

### **Liquidity Position: Stretched**

The company's liquidity position is stretched marked by delays in debt servicing of its LRD loan. Company is having NCA of Rs 31.01 Cr ending FY2022 against its long term debt obligations of Rs. 32.34 Cr. The working capital cycle of APPL stood high on account of high GCA (Gross Current Asset) days of 3870 in FY2022. Unencumbered cash and bank balances stood at 2.61 Cr as on March 31, 2022. The current ratio of the company stood at 1.98 times as on March 31, 2022.

### **Outlook:**

Not applicable

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	133.31	110.33
PAT	Rs. Cr.	15.01	7.49
PAT Margin	(%)	11.26	6.79
Total Debt/Tangible Net Worth	Times	20.25	20.05
PBDIT/Interest	Times	1.18	1.10

### Status of non-cooperation with previous CRA (if applicable)

None

### 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>
- 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:

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	1404.00	ACUITE D   Assigned

## Contacts

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### About Acuité Ratings & Research

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