



Press Release
EARNEST CONSTRUCTIONS PRIVATE LIMITED
May 21, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	320.00	ACUITE B Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	320.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B**'(read as **ACUITE Bo**)n the Rs.320.00 Cr. Non-Convertible Debentures(NCDs) of Earnest Constructions Private Limited (ECPL). The outlook is '**Stable**'.

Rationale for rating

The rating reaffirmation takes into account the delays observed in the execution timelines of various projects under Orchid Apartments Private Limited and Vismaya Developers Private Limited, as well as the slowdown in the receipt of customer advances. ECPL has prepaid a portion of its outstanding Non-Convertible Debentures (NCDs) through the infusion of unsecured loans from group companies, namely Akarshak Realty Private Limited and Shivakar Developers Private Limited. Furthermore, the company exhibits a weak financial risk profile, faces risks associated with project execution, and remains exposed to industry-specific challenges within the real estate sector. Nonetheless, ECPL benefits from the presence of experienced promoters in the real estate development sector, and the continuous support extended by these promoters through regular infusion of funds via unsecured loans, which provide the company with enhanced operational and financial flexibility.

About the Company

Incorporated in 2011 in Bangalore, Earnest Constructions Private Limited (ECPL) is engaged in the business designing, planning, managing, developing and construction of apartments, homes, factory buildings, warehouses, hotels, holiday resorts, industrial sheds, housing colonies, multi-storied buildings, integrated townships, commercial spaces, etc. Present directors of the company are Mr. Bilidale Madaiah Jayeshankar and Mr. Bilidale Madaiah Karunesh.

About the Group

Established in 1988, by Mr. BM Jayeshankar and Mr. BM Karunesh, Adarsh Developers (AD) is a partnership firm engaged in carrying out the business of development and construction of residential and commercial projects. AD is the flagship as well as holding company of the Adarsh Group. Further, the group has ventured into hospitality business also. The firm has infused funds in the form of unsecured loans in all its SPVs and also given corporate guarantee to them. Currently, the firm has a total land bank of around 1000 acre (most are in Bangalore and Karnataka and some are in Chennai, Tamil Nadu, Kerala and Goa)

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of Earnest Constructions Private

Limited (ECPL) for arriving at this rating.

Key Rating Drivers

Strengths

Experienced management and long operational track record

The directors of the company Mr. B M Jayeshankar and Mr. B M Karunesh are highly experienced and actively involved in the operations of the company. In addition to this, the parent, Adarsh Group has a long operational track

record in the real estate industry for more than three decades. Acuité believes that the promoter's extensive understanding and expertise and long operational track record of the company will support the company's growth plans going forward.

Prepayment of NCD via unsecured loans from group companies

ECPL has infused unsecured loans from group companies Akarshak Realty Private Limited and Shivakar Developers Private Limited for pre-payment of their interest and principal obligations arising from NCD issuance. The outstanding as on May 2025, is ~Rs.105.94 cr. which the company is expecting to pre-pay by June 2025. Acuite is of the opinion that prepayment of obligations have been financed from unsecured loans due to lower than expected cashflows coming from projects Orchid and Vismaya, which was to be used initially for the repayment. However, this financial flexibility of infusing unsecured loan provides the company additional cushion in case of any event of cash deficit.

Weaknesses

Weak Financial Risk Profile

The tangible net worth of the company stood at Rs.-43.96 Cr. as on March 31, 2025(prov) as compared to Rs.-6.07 Cr. as on March 31, 2024. The gearing of the company stood at -9.86 times as on 31 March,2025(prov). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at -11.17 times as on 31 March,2025(prov) as compared to -64.46 times as on March 31, 2024.The debt protection metrics of the company remain marked by Interest coverage ratio (ICR) of 0.02 times and debt service coverage ratio (DSCR) of 0.02 times for FY2025(prov) .The net cash accruals to total debt (NCA/TD) stood at -0.09 times in FY2025(prov).

Exposure to the risks in the Real Estate Industry

The business is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. 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 developers' ability to reduce prices.

Rating Sensitivities

- Timely payment of debt obligations
- Scheduled commencement and completion of project in group companies
- Timely receipt of customer advances
- Improvement in financial risk profile

All Covenants

A minimum security cover of 2x shall be maintained at all times.

Default rate of 7% p.a payable on outstanding amounts on Event of Default.

Liquidity Position Stretched

ECPL has partly prepaid the NCD's raised. The pre-payment has been done to the tune of Rs.210 cr. via infusion of unsecured loans from group companies. The current ratio of the company stood comfortable at 5.49 times in FY2025(prov). The cash and bank balance stood at Rs.0.26 Cr. for FY2025(prov) as compared to Rs.0.04 Cr. for FY2024. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of comfortable cash accruals as the customer advances start flowing in.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	7.44	0.00
PAT	Rs. Cr.	(37.93)	(5.24)
PAT Margin	(%)	(509.85)	0.00
Total Debt/Tangible Net Worth	Times	(9.86)	(57.49)
PBDIT/Interest	Times	0.02	(0.10)

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Although Acuite requested an interaction with the Audit Committee the issuer entity was unable to arrange it.

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, 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
24 May 2024	Non-Convertible Debentures (NCD)	Long Term	320.00	ACUITE B Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	5.00	ACUITE Not Applicable (Withdrawn)
28 Sep 2023	Non-Convertible Debentures (NCD)	Long Term	320.00	ACUITE B Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	5.00	ACUITE Provisional B Stable (Assigned)
26 May 2023	Non-Convertible Debentures (NCD)	Long Term	320.00	ACUITE B Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	5.00	ACUITE Provisional B 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	INE0HCI07011	Non-Convertible Debentures (NCD)	27 Jun 2023	12.00	25 Jun 2027	320.00	Simple	ACUITE B Stable Reaffirmed

Contacts

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About Acuité Ratings & Research

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