



Press Release
EARNEST CONSTRUCTIONS PRIVATE LIMITED
June 24, 2025
Rating Upgraded

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.320.00 Cr. of Non Convertible Debentures (NCD) of Earnest Constructions Private Limited (ECPL). The outlook is "**Stable**".

Rationale for Rating

ECPL had appealed the rating reaffirmed on its existing bank facilities as on 21st May, 2025, by providing incremental information based on which the rating has been upgraded. The information provided clarity about the strength- both financial and operational - of Adarsh group and cashflow fungibility of ECPL with its other group companies. The rating upgrade considers ECPL's cashflow fungibility with group entities (part of the larger Adarsh Group) by which the company has reduced its repayment obligations significantly. ECPL has prepaid a portion of its outstanding NCDs through the infusion of unsecured loans from group companies, namely Akarshak Realty Private Limited and Shivakar Developers Private Limited by raising funds in these entities at a lower cost to be utilised for general corporate purposes. However, delays have been 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, the proceeds of which were to repay the NCD obligations. 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

Acuité 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

Adarsh Group has various ongoing as well as completed projects, the proceeds of which are being used to repay obligations of ECPL and other group entities by way of inter-corporate borrowings. The group has substantially reduced its debt obligations using proceeds from these projects as well as refinancing. 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). Acuite believes that the financial risk profile of the company is likely to remain at similar levels with moderate changes as ECPL does not have any operations of its own, except land holdings.

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.

ESG Factors Relevant for Rating

ESG principles are becoming vital for real estate companies, encompassing environmentally sustainable practices like green building design and carbon footprint reduction, socially responsible initiatives such as community engagement, occupant well-being, and promoting diversity and affordable housing, alongside strong governance through transparent decision-making, risk management, and regulatory compliance.

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).Net Cash Accruals (NCA) stood at Rs.(37.93) Cr. in FY25(prov) as compared to Rs.(5.24) Cr. in FY24. 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

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
21 May 2025	Non-Convertible Debentures (NCD)	Long Term	320.00	ACUITE B Stable (Reaffirmed)
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 BB- Stable Upgraded (from ACUITE B)

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About Acuité Ratings & Research

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