



**Press Release**  
**VASAVI AVENUES LLP**  
**December 26, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	650.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	650.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) on the Rs. 650 Cr of Bank loan facilities of Vasavi Avenues LLP. The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned takes into account the long-standing experience and established track record of the Vasavi group of more than three decades in real estate business. Further, rating also draws comfort from the location advantage of the firm's current project located at LB nagar, Hyderabad with healthy sales and collections from customers during H1FY2024. Furthermore, the project funding risk remains low as the financial tie up of Rs.650 Cr. for the project is already completed out of which Rs.63 Cr. is already disbursed as on date. However, the rating is constrained by risks associated towards project completion as the construction is at a nascent stage and the firm's operations are also susceptible towards inherent cyclicity in the real estate industry.

**About the Company**

Vasavi Avenues LLP is engaged in constructing Commercial complexes and Residential Apartments with well-designed layout and with traditional system of Vasthu. It is incorporated in 2023 and based in Telangana. The company is currently managed by Mrs. Vanitha Yerram and Mr. Vijay Kumar Yerram.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Vasavi Avenues LLP

**Key Rating Drivers**

**Strengths**

**Experienced promoters, demonstrated t rack record and favorable location of the ongoing project**

Vasavi group is Hyderabad based commercial and real estate developer promoted by Mr.Vijay Kumar Yerram has more than three decades experience as real estate developer through various projects executed under the group. The Vasavi group is a well established

brand name in Hyderabad and has completed more than 6 million Sq.fts of residential and commercial projects. Alongside, the brand equity of 'Vasavi' is enjoys a reputation in the

Hyderabad (Telangana) region. Vasavi Avenues LLP (VAL) is a special purpose vehicle (SPV) formed by Vasavi group to develop the a residential project named as 'Ananda Nilayam' at LB Nagar, Hyderabad. The project comprises of 11 residential towers, 2 club houses and various other amenities. The project is located at LB nagar, a densely populated residential area in eastern Hyderabad. Project will be constructed in total area of 29.6 acres and firm has already purchased land of 26.3 acres and for balance 3.3 acres firm has entered into JDA with landlord. The location of the projects are very well developed both residentially and commercially with a lot of scope for further development. Commercial complexes, including supermarkets, schools, restaurants, hospitals, fitness centers and banks, are abundant in the closest vicinity of the proposed location.

Acuité believes that the promoters have demonstrated good execution capabilities with a reputation for quality and timely completion. Promoters' industry experience is expected to support in a successful sale of the units in the on-going project.

### **Moderate project risk**

The ongoing project 'Ananda Nilayam' has the total saleable area of 83,38,455 Sq fts, out of total saleable area VAL's share is 79,63,145 Sq fts with the total project cost of Rs.2655.96 Cr. The total project cost is funded through promotor's contribution of Rs.400 Cr (in the form of equity and unsecured loans), bank loan of Rs.650 Cr and balance through collections from customer advances. The funding risk in the project remains low as the firm has already completed debt tie up with lenders for amount of Rs.650 Cr. The promoters are high net worth individuals and promoter companies being debt-averse further mitigate the funding risk. The firm has incurred about 21 percent of project cost until september'2023 against which it has already received the bookings of 25 percent of total units and received customer advances of around 52 percent of the sales consideration as on September 30th 2023.

Acuité believes that timely infusion of funds from promoters and receipt of customer advances will be a key monitorable.

### **Weaknesses**

#### **Completion Risk**

The construction of the project started on December 2022 and it was launched in January 2023. The project is expected to get completed by December 2028. While there are inherent project risks as being in nascent stage of construction, the risk is mitigated to some extent as the group has established track record of completion of projects in timely manner. However, any delay in completion of the project may led to cost and time overruns which will remain a key rating sensitivity going ahead.

#### **Geographical concentration risk and intense competition in the industry**

The group through its promoter companies has mostly executed its past projects Hyderabad and Bangalore only. Moreover, the group is executing all the current projects in Hyderabad. The group would remain geographically concentrated until any further diversification to a different state. Furthermore, the group would continue to remain exposed to intense competition from larger players in Telangana like Jayabheri group, Aparna Constructions and estates Pvt Ltd, Prestige Group, My Home group, Kalpataru Group, mantra Group, Lodha group amongst others.

#### **Susceptibility 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 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**

- Timely completion of the project development
- Timely sale of unsold inventory and realisation of its customer advances
- Healthy realization of customer advances pending from sold inventory
- Any Sharp decline in cash flow due to slower customer advances or delays in project execution

#### **All Covenants**

None

#### **Liquidity Position: Adequate**

Since firm is in nascent stage of construction, liquidity is aided by infusion from promoters, disbursement of bank loan and collection from customers. Moreover, liquidity can be further strengthened by collections from customers which stood at ~Rs.325 Cr during April – August 2023 period. The liquidity is also supported by the financial flexibility the firm receives from the promoters. The firm is expected to have adequate liquidity over the medium term with an expected DSCR of 1.46 times in a base case scenario.

#### **Outlook: Stable**

Acuité believes that the VAL 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. 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 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.01	0.03
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	1.45	103.65
PBDIT/Interest	Times	1.89	1356.43

### 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, Acuité 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
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	650.00	ACUITE BBB-   Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

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