



Press Release
ELAN LIMITED
August 30, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	350.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	350.00	-	-

Rating Rationale

ACUITE has reaffirmed its long term rating of '**ACUITE BBB-**'(Read as **ACUITE triple B minus**) on the bank facilities of Rs.350.00 Crore of Elan Limited. The outlook is '**Stable**'.

Rationale for Rating

The assigned rating is primarily based on the company's steady revenue velocity, mitigation of project-related risk, and significant increase in financial flexibility, all of which strengthen its overall credit profile. Due to its presence in both commercial and residential real estate, the company's diverse portfolio reduces the risk associated with any one industry.

Group has already sold approximately 90% of the inventory for all launched projects. Upcoming projects will majorly be funded from internal accruals limiting the funding risk. Collection efficiency from already sold inventory will remain rating sensitivity factor.

Rating continues to reflect the company's healthy business risk profile supported by healthy booking and customer receipts for the on-going project. Comfortable debt-service coverage ratio (DSCR) along with an extended support given by group with an availability of fund-fungibility across all the projects, brings an additional comfort. These strengths are partially offset by project risk associated with few projects wherein the construction is at an initial stage of execution, geographical concentration in revenue, and exposure to risks from cyclicity in the real estate sector.

Acuite believes that company will continue to benefit from its established market position in the Gurugram region and limited funding & demand risk. However, the collection efficiency for the individual projects and optimum utilization of funds will remain key rating sensitivity.

About the Company

Incorporated in 2013 Elan Limited is based in Gurugram. The company is engaged in Real estate construction activities. The directors are Mr. Ravish Kapoor, Mr. Akash Kapoor and Mr. Gaurav Khandelwal.

About the Group

Elan Buildcon Private Limited

Incorporated in 2014, Elan Buildcon Private Limited is based in Gurugram. The company is engaged in Real estate activities. It has already completed 2 projects i.e. Elan Mercado and Elan Epic in Gurugram. The directors are Mr. Ravish Kapoor and Mr. Akash Kapoor

Elan City LLP

Incorporated in 2020, Elan City LLP is based in Gurugram. The company is engaged in Real estate activities. The Partners are Mr. Ravish Kapoor and Mr. Akash Kapoor

Elan Avenue Limited

Incorporated in 2007, Elan Avenue Limited is based in Gurugram. The Company is engaged in the Real Estate Industry. The directors are Mr. Ravish Kapoor, Mr. Akash Kapoor and Mr. Gaurav Khandelwal.

Elan Imperial Private Limited

Incorporated in 2008 Elan Imperial Private Limited is based in Gurugram. It is a part of Elan Group and is into the business of real estate development. The directors are Mr. Ravish Kapoor, Mr. Akash Kapoor and Mr. Gaurav Khandelwal.

Unsupported Rating

Not applicable.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the financial and business risk profile Elan Limited, Elan Avenue Limited, Elan City, Elan Imperial Private Limited and Elan Buildcon Private Limited. The consolidation is on account of common management, similar line of business, and operational linkage.

Key Rating Drivers

Strengths

Experienced promoters with established track record of operations

Elan Group is promoted by Mr. Ravish Kapoor, Mr. Akash Kapoor and Mr. Gaurav Khandelwal, Mr. Ravish Kapoor has been overseeing sales and marketing of the company and Mr Akash Kapoor is responsible for group's operations across the finance and administrative verticals. They have been in the real estate business for more than 15 years, and their extended market presence has aided the business in building strong client relationships. The promoters have a wealth of knowledge in the micro market because the group has completed several commercial projects in the Gurugram area in the past.

Healthy booking progress and customer advances in project

The Company has achieved healthy sales in respective project, out of the total assets which the group currently has, 90% of the same is already sold wherein, the company has received 30% advances from the customers. There has also been an ample flow of advances from sold commercial and residential properties. An adequate sales velocity gives sustained cash flow visibility. However, the group has collected 29.84% of total sales value as against construction progress of 49.81% as on 31st March 2024 indicating low collection efficiency and the same needs to be monitored. The group is expected to receive healthy surplus from receivables from the respective projects also from customer advances to be received (both tied up and future sales) which is expected to be adequate to support the remaining construction of all ongoing projects in the group.

Comfortable Debt Service Coverage Ratio

The project under development is funded by a combination of debt, customer advances and promoter funds. The group's high cash flow coverage ratio throughout the projections indicates that it is expected to have enough cash flow to fulfil its debt commitments. The overall cash flow for the group seems sufficient.

Weaknesses

Exposure to Execution risk and Funding Risk

- The group is undertaking construction of residential and commercial Project wherein at group level 49.81% of the project is completed as on March 2024 and balance is yet to be built, hence it is exposed to implementation risk. There were delays in project execution in past due to certain external factors beyond management's control however currently the projects are in its full swing and is expected to be completed as per the revised RERA schedules.
- The liquidity generated from already completed project and presence of fund fungibility across all the projects mitigates the funding risk to a certain extent however, any delay

or slow progress in collection from customers will result into additional borrowing and hence the collection efficiency needs to be closely monitored.

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

- Substantially higher than-anticipated cash inflows, supported by healthy bookings.
- Strong Collection Efficiency resulting into strong DSCR
- Any delays in completion of the ongoing project impacting the liquidity profile.
- Drawdown of more-than-expected debt or cost overrun in the residential and retail commercial building impacting the financial risk profile

Liquidity Position Adequate

Supported by the healthy sales velocity and healthy receipt of customer advances for its projects, company currently has healthy liquidity (Rs.123.17 crore as on 31st March 2024). Furthermore, the company is expected to generate healthy surplus over medium term. The group has a comfortable DSCR of more than 1.5x from FY24 to FY27. Company is maintaining DSRA for the amount equivalent to three-month principal and interest supporting the liquidity.

Outlook: Stable

Acuité believes that group will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position in Gurugram and experience of management in the real estate market. The outlook may be revised to 'Positive' in case the company achieves higher than expected customer advances and the projects are executed within the timelines. Conversely, the outlook may be revised to 'Negative' if there are significant delays in the project execution impacting the liquidity and financial risk profile.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	687.32	201.07
PAT	Rs. Cr.	165.60	(112.29)
PAT Margin	(%)	24.09	(55.85)
Total Debt/Tangible Net Worth	Times	(8.10)	(3.06)
PBDIT/Interest	Times	2.90	(1.14)

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

Not applicable.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jul 2024	Term Loan	Long Term	17.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	333.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	333.00	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	27 Jul 2023	Not avl. / Not appl.	15 Jan 2027	Simple	17.00	ACUITE BBB- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	ELAN Buildcon Private Limited
2	ELAN Avenue Limited
3	ELAN Imperial Private Limited
4	Elan Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Depanshi Mittal Lead Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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