



Press Release
Arihant Superstructures Limited
November 18, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	300.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	300.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of ‘**ACUITE BBB-**’(read as **ACUITE triple B minus**) on the Rs. 300.00 Cr. bank facilities of Arihant Superstructures Limited (ASL). The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned considers the long-standing experience and established track record of Arihant Group for more than four decades in real estate business. The group has completed 21 projects with more than 4.3 million sq. ft. of area in residential and commercial spaces in Navi Mumbai. Further, rating also draws comfort from the locational advantage of the company's current project, ‘World Villas’ located near the upcoming D. B. Patil International Airport and Mumbai-Pune Expressway. The rating is further supported by low funding risk as the financial closure has been completed. However, the rating is constrained by significant project execution risk associated towards timely project completion for the World Villas project which is at its nascent stage of construction. Also, 50 out of 181 villas of Phase 1 have been sold exposing the project to moderate demand risk. The rating also factors in the risk associated towards inherent cyclicalities in the real estate industry, regulatory risk and intense competition from other large players.

About the Company

Incorporated in 1983, Arihant Superstructures Limited is Navi Mumbai based company engaged in the affordable housing segment in the Navi Mumbai, Mumbai Metropolitan Region and Jodhpur. Mr. Ashokkumar Bhanwarlal Chhajer, Mr. Parth Ashokkumar Chhajer, Mr. Nimish Shah Shashikant, Mr. Raj Narain Bhardwaj, Mr. Vijay Satbir Singh, Mr. Pramod Vyankatesh Deshpande and Ms. Namrata Ashit Thakker are directors of the company.

About the Group

The Arihant group is promoted by Mr. Ashokkumar Chhajer has been in the business of real estate development in Navi Mumbai for more than four decades. The group is engaged into construction of real estates of luxury, mid-income and affordable residential under Arihant brand. The group has successfully completed and delivered various residential and commercial projects in Navi Mumbai city with total aggregating area of around 4.3 million sq. ft. collectively.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the standalone business and financial risk profiles of Arihant Superstructures Limited (ASL), Arihant Abode Limited (AAL), Arihant Vatika Realty Private Limited (AVRPL), Arihant Gruhnirman Private Limited (AGPL) and Arihant Aashiyana Private Limited (AAPL) together referred to as the 'Arihant Group'. The consolidation is in view of the common management and strong operational & financial linkages between the entities.

Key Rating Drivers

Strengths

Experienced promoters with established track record of operations in the industry

Arihant Superstructures Limited (ASL) is a part of Navi Mumbai based Arihant group which is engaged in the business of real estate construction. The group is currently promoted by Mr. Ashokkumar Chhajer, Mr. Parth Chhajer and Mr. Nimish Shah, having an experience of almost 2 decades in the industry. The group has an established track record of construction in luxury, mid income and affordable projects across Navi Mumbai, Maharashtra with total aggregate area sold of more than 5 million sq. ft. collectively. Further the group also enjoys the established presence in the rising real estate market of the city, which will help in the saleability of the projects under the construction.

Acuite believes that the established track record along with the extensive experiences of the promoters in the industry will be key strength for the group in successfully executing the projects.

Favourable location of World Villa project.

Arihant World Villas is a product categorized as platinum series spread across 77 acres of land at Chowk, off the old Mumbai Pune highway and a 40-minute drive from the upcoming Navi Mumbai international airport and an 80-to-90-minute drive from South Mumbai. Along with 362 villas, ASL plans to develop a 221 key Hotel on 9 acres along with a sports club gymkhana on 10.5 acres. The gymkhana would have a revenue stream of membership fees with additional revenues from sale of food, drinks, entertainment sports venue sales, while the Hotel would be ideal for wedding destination events corporate events apart from rooms on rent.

Weaknesses

Moderate demand and execution risk; albeit low funding risk

The funding risk for the project stands low, as the financial closure for the project of Rs. 225 Cr. has been completed. The ongoing project 'World Villas' has the total saleable area of 14,88,120 sq. ft, of which 9 percent inventory is sold as of August 2024. The project will be developed in two phases, wherein each phase will comprise of 181 villas. The construction of the project started in June 2024 and is scheduled for completion by March 2030. World Villas has sold area worth Rs. 41 Cr. and received customer advances of Rs. 0.50 Cr. against the same as of 31st August 2024. Further, as of August 2024, out of the total budgeted cost of Rs. 555 Cr. for the project, cost of Rs. 157 Cr. has been incurred, wherein the entire Rs. 157 Cr. has been funded through promoter's contribution. While there is inherent project execution risk for being in a nascent stage of construction, the risk is mitigated to some extent as the group has established track record of completion of several projects in timely manner in the past. However, any significant delay in completion of the project may lead to cost overruns which will remain a key rating sensitivity going ahead. As most of the construction cost remains to be incurred, any increase in such cost will lead to lower profitability and cashflows for the company, affecting the debt serviceability for the company. Furthermore, the demand risk for the project stands high as 91 percent of the inventory stands unsold as on 31st August 2024. However, the funding risk for the project stands low, as the financial closure for the project of Rs. 225 Cr. has been completed.

Acuite believes that timely disbursement of debt and receipt of customer advances will be a key monitorable.

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

- Any mismatch in the projected cashflows thereby affecting the DSCR and repayment of proposed bank debt.
- Timely execution of the project without any significant cost overruns.
- Any sharp decline in cash inflows due to slower customer advances/sales or delays in project execution.

Liquidity Position

Adequate

The company has sold nearly 9 percent of its inventory for the project under consideration. The customer advances/payments against the sold as well as the unsold inventory will be a major source of cash-flows for the company to fund its construction cost. The expected customer advances/payments would be sufficient to fund its construction cost. The group as on 30th September 2024 had cash and bank balance of around Rs.12.72 Cr. Further, the project "World Villas" is expected to have an adequate cash cover to service its debt obligations as

evidenced by DSCR of more than unity. Further, the company will need to create a DSRA equivalent of three months repayments of principal and interest as per sanction terms, which will be an additional cushion for the debt serviceability. Further, the liquidity is also supported by the financial flexibility the company receives from its promoters.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	504.44	389.44
PAT	Rs. Cr.	69.22	42.68
PAT Margin	(%)	13.72	10.96
Total Debt/Tangible Net Worth	Times	1.48	1.35
PBDIT/Interest	Times	4.40	3.11

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

None

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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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 :

Not Applicable

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	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2030	140.00	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2031	85.00	Simple	ACUITE BBB- Stable Assigned

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

Sr.No.	Company Name
1	Arihant Abode Limited
2	Arihant Vatika Realty Private Limited
3	Arihant Aashiyana Private Limited
4	Arihant Gruhnirman Private Limited
5	Arihant Superstructures Limited

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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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