

September 30, 2024

Sri Sai Hari Hara Estates Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	30.00	60.00	[ICRA]BB- (Stable); reaffirmed and assigned for enhanced amount
Total	30.00	60.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for the bank lines of Sri Sai Hari Hara Estates Private Limited (SSHHEPL) factors in the adequate construction progress of its four ongoing projects with sales at ~40% of the total saleable area (company's share). It has incurred around ~36% of the total budgeted cost with sales and collections to sales at ~53% as of June 2024. The rating notes the good track record of the promoters, who have completed a total area of more than 2.8 million square feet (msf) across 34 projects over the last two decades in and around Hyderabad.

The rating is, however, constrained by the exposure to market and funding risks associated with the ongoing projects. The cash flow adequacy remains moderate at 24% as of June 2024. Timely sales of the remaining units will be critical as the pending project costs are expected to be largely funded by customer advances and undrawn limits going forward. The company is exposed to geographical concentration risk as the ongoing projects are limited to Hyderabad. The rating also factors in the vulnerability of its sales to any downturn in real estate demand and stiff competition from various established real estate developers.

The Stable outlook on [ICRA]BB- rating reflects ICRA's opinion that the company will benefit from the expected improvement in sales and collections of the ongoing projects.

Key rating drivers and their description

Credit strengths

Good track record in Hyderabad market – SSHHEPL has a good track record in residential real estate as reflected in completion of around 2.8 msf of area in more than 34 projects in and around Hyderabad. In addition, SSHHEPL benefits from the extensive experience of its promoters of more than two decades in the real estate industry.

Adequate construction progress of ongoing projects – SSHHEPL is developing four residential real estate projects – Sri Sai Viradhya, Sri Sai Kakatiya, Vasant Villas, and Sri Sai Yatika in Hyderabad, Telangana, with a total saleable area of 1.7 msf, of which the company's share is 1.1 msf. The projects are located in the interiors of the Hyderabad. The company has incurred around ~36% of the total budgeted cost with sales at ~40% of the total saleable area (company's share) and collections to sales at ~53% as of June 2024.

Credit challenges

Exposed to market and funding risks – The cash flow adequacy remains moderate at 24% as of June 2024. Timely sales of remaining units will be critical as the pending project costs are expected to be largely funded by customer advances and undrawn limits going forward.

Exposure to geographical concentration risk and cyclicity in the real estate industry – The ongoing projects are limited to the real estate market in Hyderabad, which exposes it to high geographical concentration risk. The rating factors in the vulnerability of its sales to any downturn in the real estate demand and stiff competition from various established real estate developers.

Liquidity position: Stretched

The liquidity profile remains stretched with dependence on incremental sales and customer advances to meet the pending project cost and debt repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant and sustained increase in sales and collections, along with improvement in the cash flow adequacy and debt protection metrics.

Negative factors – Negative pressure on the rating could emerge in case of delays in project execution, decline in sales and collections or significant debt-funded investments leading to deterioration in liquidity and debt protection metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Sri Sai Hari Hara Estates Private Limited is involved in residential and commercial real estate development in Hyderabad across Habsiguda, Ramanthapur, Nacharam, Maredpally, Ameerpet, etc. It has developed more than 2.8 msf across 34 projects. At present, it is developing four residential real estate projects – Sri Sai Viradhya, Sri Sai Kakatiya, Vasant Villas, and Sri Sai Yatika with a total saleable area of 1.7 msf, of which the company’s share is 1.1 msf. SSHHEPL is owned by Mr. Yadava Reddy and his family.

Key financial indicators (audited)

Standalone	FY2023	FY2024*
Operating income	39.2	44.0
PAT	2.0	2.3
OPBDIT/OI	16.9%	17.6%
PAT/OI	5.0%	5.3%
Total outside liabilities/Tangible net worth (times)	3.2	4.5
Total debt/OPBDIT (times)	3.6	5.9
Interest coverage (times)	2.4	2.2

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Sep 30, 2024	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	60.00	[ICRA]BB- (Stable)	26-Jun-23	[ICRA]BB- (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term–Fund-based–Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2023	-	FY2027	30.00	[ICRA]BB- (Stable)
NA	Term loans	FY2024	-	FY2027	30.00	[ICRA]BB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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