

June 26, 2023

Sri Sai Hari Hara Estates Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	30.00	[ICRA]BB- (Stable); Assigned
Total	30.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Sri Sai Hari Hara Estates Private Limited (SSHHEPL) factors in the healthy construction and adequate sales progress of the ongoing project – Sri Sai Viradhya, near Uppal Depot, Hyderabad, which was launched in October 2021 with a total built-up area of 0.4 million square feet (msf), wherein it has a share of 65%. SSHHEPL has incurred around ~65% of the budgeted cost of construction with sales at ~54% of the total saleable area (company's share). It recorded adequate collections to sales of ~59% as of April 2023. The rating notes also factors in the good track record of the promoters who have completed a total built-up area of 1.6 msf 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 project. Despite adequate sales since the launch of the project, it is exposed to market risk for the balance area to be sold and the cash flow adequacy¹ remained moderate at 50% as on March 31, 2023. Timely sales of the remaining units will be critical as the pending project cost is expected to be funded by customer advances and undrawn sanctioned term loan of Rs. 14.87 crore going forward. The company is exposed to geographical concentration risk as the ongoing project is limited to the Hyderabad market. The rating factors in the vulnerability of its sales to any downturn in real estate demand and stiff competition within the region from various established real estate developers.

The Stable outlook on [ICRA]BB- rating reflects ICRA's opinion that the company will benefit from the track record of the promoter and healthy construction progress of the ongoing project.

Key rating drivers and their description

Credit strengths

Good track record in Hyderabad market – SSHHEPL has a good track record in the residential real estate segment as reflected in completion of around 1.6 msf of area covering more than 25 projects in and around Hyderabad. In addition, SSHHEPL benefits from the extensive experience of its promoters of more than two decades in real estate industry.

Adequate sales and collections – Sri Sai Viradhya was launched near Uppal depot, Hyderabad, in October 2021 with a total built-up area of 0.4 msf, wherein SSHHEPL has a share of 65%. It has incurred around ~65% of the budgeted cost with sales at ~54% of the total saleable area (company's share). The project recorded adequate collections to sales of ~59% as of April 2023.

Credit challenges

Exposed to moderate market and funding risks – Despite adequate sales since the launch of the project, it is exposed to market risk for the balance area to be sold and moderate cash flow adequacy of 50% as on March 31, 2023. Timely sales of the remaining units will be critical as the pending project cost is expected to be funded by customer advances and undrawn sanctioned term loan of Rs. 14.87 crore going forward.

¹ Cash flow adequacy = Committed receivables/ (pending cost+ outstanding debt)

Exposure to geographical concentration risk and cyclicity in real estate industry – The ongoing project is limited to the real estate market in Hyderabad, which exposes it to high geographical concentration risk. Further, the company has only one under-construction project in its portfolio leading to asset concentration. Any adverse development in the region can impact the execution and sales of its project.

Liquidity position: Stretched

While sales progress has been adequate, 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 the 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 the liquidity and leverage position on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for real estate entities
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Sri Sai Hari Hara Estates Private Limited (SSHHEPL) was established in 1996 by Sri. A. Yadava Reddy, who holds around 44.7% stake in the company as on March 31, 2023. The remaining shareholding is held by other family members. It is engaged in residential real estate development in and around Hyderabad. It has completed more than 25 projects over the last two decades with a built-up area of around 1.6 msf. At present, it is developing a residential real estate project – Sri Sai Viradhya with a total saleable area of 0.4 msf, of which the company's share is 0.26 msf.

Key financial indicators (audited)

	FY2021	FY2022
Operating income	28.2	37.6
PAT	1.4	2.0
OPBDIT/OI	11.6%	11.4%
PAT/OI	5.0%	5.3%
Total outside liabilities/Tangible net worth (times)	2.6	2.4
Total debt/OPBDIT (times)	4.0	2.4
Interest coverage (times)	3.1	2.8

Source: Company Financials; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jun 26, 2023	-	-	-
1	Term loan	30.00	15.13	[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 loan	2022	-	2027	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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