

## Organo Eco Habitats Private Limited

March 04, 2024

| Facilities/Instruments    | Amount (₹ crore) | Rating <sup>1</sup> | Rating Action |
|---------------------------|------------------|---------------------|---------------|
| Long Term Bank Facilities | 100.00           | CARE BB+; Stable    | Assigned      |

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The rating assigned to the bank facilities of Organo Eco Habitats Private Limited (Organo) is constrained by project construction risk w.r.t Organo Kandawada and Damarigidda being in the nascent stage of construction with high reliance on customer advances for funding the project and for debt repayment, high saleability risk, high geographical concentration risk with all the ongoing projects located in Chevella Mandal, Hyderabad and inherent cyclical nature of real estate industry.

The rating, however; derives strength from experienced promoters with long association in the real estate sector, environment friendly and sustainable concept of residential villas while equipped with modern amenities and major regulatory approvals in place for the projects. The rating further draws comfort from favourable initial response by way of booking advance received for the ongoing projects despite being at its early stage and achievement of financial closure for 'Organo Kandawada' and 'Organo Damarigidda'.

### Rating sensitivities: Factors likely to lead to rating actions.

#### Positive Factors

- Completion of construction of project within the prescribed timelines along with sales of more than 50% in Organo Kandawada and more than 40% sales in Organo Damarigidda in a timely manner.
- Efficient collection from the sold units and sales of the remaining unsold area

#### Negative Factors

- Delay in project execution or slowdown in sales velocity leading to unsold inventory.
- Cost overruns or unforeseen delays in the completion of the project beyond the Real Estate Regulatory Authority (RERA) completion due date.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters in the industry and the healthy initial response received for the ongoing project coupled with eco-friendly and sustainable projects in Hyderabad real estate market.

### Detailed description of the key rating drivers:

#### Key Weaknesses

#### Early stage of construction of its 2 out of 3 ongoing project albeit financial closure already achieved

The company is developing 3 residential real estate project named 'Organo Antharam', 'Organo Kandawada', and 'Organo Damarigidda' with a total saleable area of 13.33 lsft. The project comprises of individual villas consisting of 257 units. Regulatory approval for the projects is in place with RERA registration completed for all the 3 projects. 'Organo Antharam' is at the final stage of construction with 95% of the cost incurred as on December 31, 2023, whereas, remaining two project 'Organo Kandawada' and 'Organo Damarigidda' is at early stage of execution with 24% and 2% of the total cost incurred as on December 31, 2023. The construction is moving as per the schedule, and all the 3 projects have been launched for sales. Financial closure has already been achieved for its projects.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### **High reliance on customer advances for its recently started 2 projects**

The two recently started project Organo Kandawada and Organo Damarigidda is being developed at a project cost of Rs.431 crore funded through customer advances of Rs.216 crore, debt of Rs.160 crore and rest through promoter contribution. Around 50% of the project cost is being funded through customer advances exhibiting high reliance on customer advance to fund the project, and thus timely receipt of the same will be crucial for its project progress. And both the recently started project has around ~70% of unsold inventory, however, comfort can be drawn that both the project was able to sell around 28% and 23% of the inventory under Organo Kandawada and Organo Damarigidda as on December 31,2023 i.e. within 9-12 months of launching the project for sale, which reflects favorable response from the market.

### **High Saleability Risk of 2 out of 3 ongoing projects**

Till December 2023, the company has sold around 43% of the total saleable area of all the ongoing three projects. Organo Antharam is 83% sold out, whereas, Organo Kandawada and Organo Damarigidda is recently launched projects with 2.38 lsft sold (out of saleable area of 9.20 lsft). The latter two projects have substantial proportion of the area pending to be sold, the ability of the company to maintain adequate traction in the sales will remain crucial from the credit perspective in the near term.

### **Susceptibility of the real estate market to economic cycles**

Real estate sector is highly susceptible to economic cycles. Health of an economy in terms of GDP, employment data, manufacturing activity, prices of goods, etc. affects the value of real estate in such a way that when economy is sluggish real estate sector is affected in a similar way and vice versa.

### **Key Strengths**

#### **Experienced promoter with long association in the real estate sector.**

The promoters of Organo have been associated in architectural & designing services for high-end residential & commercial projects for more than two decades. Later in 2020, the promoter entered into constructing residential projects which are eco-friendly and sustainable in nature. The promoter has other businesses in real estate, and the group till date, have developed around ~7 lakh square feet (lsf) of total saleable area in Hyderabad. Organo's day-to-day operations are looked after by Nagesh Kumar Battula and Adigopula Vijaya Durga along with a team of experienced professionals.

#### **Advanced stage of completion of its residential villa project "Organo Antharam"**

The company is at the advanced stage for completing its residential villa project "Organo Antharam", and expected to complete by Q2FY25, which is almost one year ahead of actual completion date. Out of the total saleable area the company has sold 85% as on December 31, 2023, reflecting healthy sales traction and the unsold unit is expected to be sold before the completion of the project.

#### **Timely launched projects along with healthy booking status of its ongoing real estate projects**

The two recent ongoing project viz 'Organo Kandawada' and 'Organo Damarigidda' was launched for sale in December 2022 and April 2023 respectively and within 9-12 months of its launch i.e. till Dec 2023, the company has sold 50 units out of total 170 units which is equivalent to around 29% of the total units of these two project. Given good response received in its early stage of execution, the months to sell unsold inventory stands moderately low at 24-36 months as against balance construction period of 42 months. The committed customer receivables cover stands moderate at 19% of the total outstanding debt of Rs. 20 crore and pending cost of Rs 371 crore as on December 31, 2023.

#### **Liquidity: Adequate**

The liquidity position is adequate marked by sold receivable of Rs 100 crore as on December 31, 2023 vis-à-vis expected interest repayment obligation of Rs ~17 crore for the next 15 months ended March 31, 2025. The principal repayment has already started for 'Organo Damarigidda' and for 'Organo Kandawada' the repayment will start from December 2024. The maturity of the last term loan would be in Q3FY27. This apart, the company is also required to create DSRA equivalent to 3 months principal and interest repayment before final disbursement thereby providing additional comfort. However, the company is yet to create DSRA.

#### **Assumptions/Covenants: NA**

#### **Environment, social, and governance (ESG) risks: Nil**

## Applicable Criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

## About the company and industry

### Industry Classification

| Macro Economic Indicator | Sector | Industry | Basic Industry                   |
|--------------------------|--------|----------|----------------------------------|
| Consumer Discretionary   | Realty | Realty   | Residential, Commercial Projects |

Organo Eco Habitats Private Limited (Organo) was incorporated in 2001 under the name of Fountainhead Architects Pvt Ltd, and later in 2012 the name was changed to Fountainhead Consultant Pvt Ltd, and further was renamed to current nomenclature. The company is promoted by Nagesh Kumar Battula and Adigopula Vijaya Durga. Organo started its business by providing architectural and interior designing services for high-end residential projects, hospitality, commercial spaces, and others in Telangana. Later in 2020, the company started constructing residential projects which are eco-friendly and sustainable, and slowly stopped its architectural and interior designing services for its clients. Currently, the overall operations are managed by Nagesh Kumar Battula and Adigopula Vijaya Durga with the support of the second level management team. Organo is currently developing 15.49 Isf of real estate projects in Hyderabad location.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 8MFY24 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income     | 3.93               | 84.01              | 67.04       |
| PBILDT                     | -1.27              | 7.75               | -           |
| PAT                        | 0.07               | 4.02               | -           |
| Overall gearing (times)    | 1.34               | 3.92               | -           |
| Interest coverage (times)  | NM                 | 3.97               | -           |

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available', NM: Not meaningful

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of Instruments / Facilities

| Name of the Instrument    | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Term Loan | -    | -                             | -               | 31/12/2026                 | 100.00                      | CARE BB+; Stable                          |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                              |                  | Rating History                              |   |   |   |
|---------|--|-----------------|------------------------------|------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating           | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1       | Fund-based - LT-Term Loan              | LT              | 100.00                       | CARE BB+; Stable |   |   |   |   |

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA****Annexure 4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument    | Complexity Level |
|---------|---------------------------|------------------|
| 1       | Fund-based - LT-Term Loan | Simple           |

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

### Contact us

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