

Aum Shreya Realty LLP

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	170.00	CARE BB+; Stable	Upgraded from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the rating assigned to the bank facilities of Aum Shreya Realty LLP (ASRL) takes into account the satisfactory project progress with an expected early completion vis-à-vis the previously envisaged timeline, along with satisfactory debt coverage indicators.

The rating continues to derive comfort from experienced promoters having established presence of in Ahmedabad real estate sector, favourable location of the project, low funding risk, moderate collection from sold units, and stable outlook for real estate market in Ahmedabad.

The rating, however, remains constrained on account of overall moderate stage of project completion saleability risk associated with the project, and low proportion of committed receivables vis-à-vis pending construction cost and outstanding debt. Further, the rating takes cognizance of entity's constitution as a limited liability partnership firm, inherent risks associated with the cyclical nature of real estate sector and high geographical concentration of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely booking of unsold units and receipt of customer advances, alongwith continued satisfactory construction pace.
- Improvement in the proportion of committed receivables as a % of pending construction cost & outstanding debt to more than 80%.

Negative factors

- Any significant time overrun or increase in construction cost by over 20% in the ongoing project.
- Lower than anticipated sales velocity or collections and / or lower than envisaged project progress leading to deterioration in debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company shall benefit from its promoters experience in the Ahmedabad real estate market and favourable location of the on-going project and maintain its moderate financial risk profile.

Detailed description of key rating drivers:

Key weaknesses

Moderate stage of project completion, though project progress remains satisfactory with earlier than previously envisaged completion

ASRL launched the project viz. "The Bellagio" in April 2023, and the same is expected to be completed earlier, i.e. by December 2026, as against the envisaged completion timeline of March 2028 as per the last review.

However, overall project completion remains at a moderate stage, with around 46% of total estimated project cost having been incurred till September 30, 2024, (including 32% of total construction cost having been incurred). The same was funded by partner's capital/ unsecured loans, project term loan and customer advances in the ratio of 65:24:09, with the balance through creditors. Considering moderate stage of project execution, overall completion within the envisaged cost and time parameters shall remain crucial from credit perspective.

The project is being constructed on a land admeasuring 10.10 lakh square feet (Isf) at a total estimated cost of Rs.513.40 crore (incl. DSRA of Rs.42.67 crore). The same is envisaged to be funded through partner's capital/ unsecured loans, project term loan and customer advances in the ratio of 37:33:30.

Presently, collections from sold units stood moderate, calculating to 29% of the sales value as on October 31, 2024. However, as articulated by the management, the same is expected to improve with progress of the project, thus overall reliance on term loan for funding of the project would be lower than initially envisaged.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

High saleability risk owing to high-end nature of project with moderate bookings

The project being developed is for luxurious residential flats with configuration of 4B2HK, 5B2HK, 7B3H3K and 8B3H3K in Ahmedabad, Gujarat with total saleable area of 5.36 lsf, restricting its customer base to high-networth individuals (HNIs). Accordingly, till October 31, 2024, the firm received moderate booking of 23 units, out of total 133 units, with sizeable bookings received in the month of October 2024.

Considering this, sale of remaining units at prices as envisaged and realisation of the sale proceeds thereof shall remain crucial from the credit perspective.

Constitution as a limited liability partnership firm

The credit risk profile of ASRL remain constrained by its partnership constitution wherein there is an inherent risk of withdrawal of the capital which may affect firm's financial flexibility in the eventuality of occurrence of such event / dissolution of partnership in case of death or insolvency of a partner.

Presence in cyclical real estate sector and interest rate fluctuation risk

The real estate sector in India is highly fragmented with many regional players, who have significant presence in their respective local markets. This in turn leads to intense competition within the industry.

This sector is also sensitive to the macroeconomic cycle and interest rates. Adverse movement in interest rate affects the real estate players in both ways – by hampering demand as well as increasing the construction cost.

Key strengths

Experienced partners with established track record of operations in Ahmedabad real estate market

ASRL is promoted as LLP by Mr. Hitesh Patel, (promoter partner of the Palak Group) and Mr. Robin Goenka (Managing Director of the Sankalp Group), having established track record of operations of around 15-20 years in the Ahmedabad real estate market. Mr. Hitesh looks after civil construction and site development, and Mr. Robin handles marketing and sales operations of the firm. The Palak group has developed various residential and commercial projects admeasuring total constructed area of 18+ lsf in and around Ahmedabad. Also, the Sankalp group has developed multiple commercial, residential and industrial projects. The firm is thus benefited from the expertise of both the promoter groups.

Low funding risk along with satisfactory debt coverage indicators

Land for the project alongwith its associated expenses have majorly been incurred. This apart, the pending debt disbursement along with committed receivables (receivables from already sold units) are sufficient to cover the pending construction cost for the project, resulting in overall low funding risk.

Furthermore, debt coverage indicators for the project remain satisfactory, with overall moderate reliance on debt for project funding.

Favourable location of the project with availability of modern amenities

The project is equipped with ample modern amenities and located at a prime location, i.e. Bopal - Ambli Road in Ahmedabad, in proximity to amenities such as hospital, schools, shopping mall, and multiplex. Thus, project location remains favourable.

Liquidity: Stretched

ASRL's liquidity remains stretched owing to moderate bookings and moderate committed receivables of 23% from sold units vis-à-vis pending construction cost and outstanding debt. Also, ASRL will be required to create DSRA equivalent to three months of debt servicing before commencement of debt repayment; thus timely bookings and collections remain crucial for company's liquidity profile.

Nevertheless, the project has debt a satisfactory moratorium up to March 2028, which might provide some cushion to the liquidity, considering early envisaged project completion.

As on March 31, 2024, ASRL had free cash & bank balances of around Rs.4.23 crore.

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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Aum Shreya Realty LLP (ASRL) was incorporated in January 2022, by partners Mr. Hitesh Patel (partner of the Palak Group, Ahmedabad) and Mr. Robin Goenka (Chairman & Managing Director of the Sankalp Group, Ahmedabad) as LLP for development of a luxurious residential project 'The Bellagio' in Ahmedabad, Gujarat, with total saleable area of 5.36 lakh square feet (Isf) (PR/GJ/AHMEDABAD/DASKROI/AUDA/RAA11972/190623).

Brief Financials: Not meaningful being project phase entity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Term Loan-Long Term		-	-	March 2029	170.00	CARE BB+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Term Loan-Long Term	LT	170.00	CARE BB+; Stable	-	1)CARE BB; Stable (12-Dec-23)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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Disclaimer:

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