

Organo Eco Habitats Private Limited

April 09, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|------------------|---------------------|---|
| Long Term Bank Facilities | 100.00 | CARE BB+; Positive | Reaffirmed; Outlook revised from Stable |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Organo Eco Habitats Private Limited (Organo) is constrained by sizeable projects under pipeline with construction and saleability risks in its existing ongoing residential projects, coupled with a high reliance on customer advances to fund the remaining portion of the project and to meet debt repayment. Additionally, the company faces high geographical concentration risk, with all ongoing projects located in Chevella Mandal, Hyderabad, and remains exposed to the inherent cyclical nature of the real estate sector.

However, the rating derives strength from experienced promoters with a long-standing presence in the real estate industry, along with the company's focus on environmentally friendly and sustainable residential villas, which are equipped with modern amenities. The company also benefits from having major regulatory approvals in place for its projects except Kandawada-2. Furthermore, the rating is supported by a satisfactory booking status in ongoing projects and the successful completion of the Antharam-1 project, with 100% of its units sold.

The revision of the outlook from Stable to Positive reflects the comfortable sales velocity and the anticipated improvement in Organo's collections in FY2025 and FY2026. The company has sold 54% of the total launched area as of December 2024, up from 43% compared to the last year, indicating better sales momentum. Additionally, committed receivables for pending costs and outstanding debt have improved significantly, rising to 38% as of December 2024, compared to 27% from previous year, further indicating healthy progress.

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 65% in all the ongoing project 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: Positive

The Positive outlook for the company reflects its healthy sales velocity and the anticipated improvement in Organo's collections in FY2025 and FY2026. As of December 2024, Organo has sold 54% of the total launched area, up from 43% compared to last year, indicating strong sales momentum. Additionally, its committed receivables for pending costs and outstanding debt have improved to 38% as of December 2024, compared to 27% from previous year, strengthening the company's financial position.

Detailed description of key rating drivers:

Key Weaknesses

Sizeable projects under pipeline

Organo has 4 new projects in the pipeline which will expose the group to inherent marketing, execution, and funding risk. Organo has close to 17.48 lakh square feet (lsf) of upcoming project under residential space with a total cost of around Rs 1800 crore. Considering the sizeable launches planned in the residential space in next 6 months, the timely execution of projects within

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

budgeted cost as well as timely sale of the property would be a key rating monitorable. However, the group has completed all its past projects in timely manner as stated by RERA.

Saleability risk of ongoing projects

The company currently has five ongoing projects at various stages of development with one project under final stage of receiving RERA registration (applied and waiting for final clearance from the authority). Antharam Phase 1 is fully completed, while Kandawada Phase 1 has reached 65% completion, and Damarigadda stands at 31% completion. Additionally, construction has recently commenced for Antharam Phase 2 (19%), and recently launched Rurban Lofts (5%), all of which are in the early stages. A significant portion of incurred costs has been allocated to land acquisition and construction. One of the project Kandawada Phase 2 where the company has acquired land but RERA registration is pending and expected to receive in April 2025. The sales risk for these projects remains high, with 46% is still unsold of the total launched area as of December 31, 2024. Any fluctuations in sales could impact cash flow. However, the company benefits from a satisfactory booking response, with a booking rate of 54%, providing some buffer for its cash flow.

High reliance on customer advances

As of December 31, 2024, the total estimated pending project cost for all ongoing projects stands at ₹568 crore (including Kandawada 2, where RERA registration is at the final stage). The company plans to fund this primarily through customer advances, reflecting its strategy to complete upcoming projects without relying on debt. However, an unutilized term loan of ₹30 crore (5% of the total project cost) remains available if needed, indicating a moderately high dependence on customer advances. Consequently, any delay in receiving these expected advances could impact project progress. The committed customer receivables cover stands moderate at 38% of the total outstanding debt of Rs. 113.75 crore and pending cost of Rs 568 crore as on December 31, 2024. Further, the company has experienced satisfactory bookings, supported by its strong positioning with target customers. Given the current pace of execution and the regular inflow of customer advances, the company anticipates completing its projects ahead of the RERA deadline. Additionally, the company has four upcoming projects in the pipeline. These projects are significantly larger compared to the company's past developments, exposing it to construction and saleability risks.

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 ~15 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.

Completion of Antharam-1 with advanced stage of completion of 'Organo Kandawada-1'

The company successfully completed the Antharam-1 project, achieving 100% unit sales as of December 31, 2024. The outstanding sold receivables from this project stood at ₹45 crore as of December 31, 2024. Additionally, the company is in the advanced stages of completing its residential villa project, 'Organo Kandawada-1,' with 65% progress achieved as of December 31, 2024. Of the total units, 60% have been sold, reflecting healthy sales traction, with the remaining units expected to be sold before project completion.

Satisfactory booking status in Ongoing Projects.

As of December 31, 2024, the value of sold inventory across ongoing projects stood at ₹431 crore, accounting for approximately 44% of the total revenue potential. In terms of area, the company has sold around 54% of the total launched area, reflecting a satisfactory booking status with a collection efficiency of around 51%.

Liquidity: Adequate

As per the management the company holds approximately ₹20 crore in free liquid funds as of March 27, 2025, against debt obligations of around ₹110 crore due over the next four quarters. Additionally, receivables from sold inventory stand at ₹210 crore, ensuring comfortable short-term cash flow and covering 38% of the remaining project costs and outstanding debt. Furthermore, the value of unsold units currently under construction is estimated at ₹795 crore. With anticipated sales aligning with the current sales momentum, the company expects to generate sufficient cash flow from operations to meet its upcoming debt obligations. Liquidity is also supported by maintaining a Debt Service Reserve Account (DSRA) covering one quarter of the debt service obligations for the Kandawada-1 project loan from SBI

Assumptions/Covenants- Not Applicable

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**

| Macroeconomic 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 21.20 lsf of real estate projects in Hyderabad location and upcoming projects of 17.48lsf.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|--------------------|
| Total operating income | 3.93 | 84.01 | 106.54 |
| PBILDT | -1.27 | 7.15 | 12.28 |
| PAT | 0.07 | 3.57 | 4.82 |
| Overall gearing (times) | 1.34 | 4.07 | 4.39 |
| Interest coverage (times) | NM | 3.66 | 1.90 |

A: Audited UA: Unaudited NM: Not Meaningful; Note: these are latest available financial results

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 |
|---------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Term Loan | | - | - | 31/12/2026 | 100.00 | CARE BB+; Positive |

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 | Fund-based - LT-Term Loan | LT | 100.00 | CARE BB+; Positive | - | 1)CARE BB+; Stable (04-Mar-24) | - | - |

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 | Fund-based - LT-Term Loan | 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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