



Press Release

Acorn Infraspaces LLP

September 17, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	175.00	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	-	Assigned	Simple
Total	175.00 (INR one hundred and seventy-five crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The long-term rating assigned to the bank facility of Acorn Infraspaces LLP (AILLP) derives strength from experienced management and satisfactory execution track record of the group in the real estate industry. The rating also favourably factors in locational advantage of the projects, favourable project cost structure coupled with favourable saleability and maintenance of DSRA and escrow account. However, these rating strengths are constrained due to geographical concentration risk, project implementation risk, capital withdrawal risk as it is a partnership firm and exposure to risks relating to cyclicity in real estate industry.

Key Rating Sensitivities:

Upward Factors

- Timely receipt of customer advances
- Improvement in financial risk profile
- Scheduled completion of the ongoing projects

Downward Factors

- Significant delay in disbursement of committed lines of funding.
- Weaker than anticipated sales performance and lower than expected collections which may lead to increased funding risk
- Time and cost overrun in the ongoing projects



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations of the group and experienced management**

Acorn Infraspaces LLP is a firm of Pravish Group, which has a long operational track record in the real estate industry for more than two decades. The group had completed 26 real estate projects and 25 contract based projects in two decades and has completed construction of around 3.75 million square feet of construction. Currently, the group has 5 ongoing projects. In addition to this, the partners Mr. Sureshkumar Baldevbhai Patel and Mr. Bhaskarbhai Labhshankar Vyas are highly experienced and actively involved in the operations of the firm since inception. Going forward, the long operational track record of the partner's extensive understanding and expertise will support the firm's growth plans.

- **Locational advantage of the projects**

The project is located in Chharodi, Ahmedabad, Gujarat, which is a fast developed & upper-middleclass locality having good marketability features. Further, the project is surrounded by affluent residential colonies and the proximity of hospitals and schools will help in attracting a lot of customers. Excellent connectivity, presence of several commercial and entertainment hubs and affordable housing rightly qualifying Chharodi as the ultimate real estate destination.

- **Favourable project cost structure & saleability**

The total cost envisaged to the projects is Rs. 449.59 Cr, which is projected to be met through partners' contribution of Rs. 203.40 Cr, term loan of Rs.175.00 Cr, and customer advances of Rs. 71.19 Cr. The loan amount to total cost of the projects is ~38.92%, while the promoters' fund is ~45.24%. and customer advances constitute to ~15.83%. As on date, the project, Brilliya are in the mid construction stage and ~50% of the project is completed. Out of the 481 units, 250 units have been sold, which is ~51.98% of the total saleable units. The remaining ~48.02% are still pending for sale. The total sale value of the project is Rs. 486.96 Cr, out of which the value of sold units is Rs. 250.30 Cr of which the firm has received Rs. 152.22 Cr. (demand raised around Rs. 175.00 Cr), depicting robust collection efficiency of ~87%. The timely completion of the projects within the estimated cost will be the key rating sensitivity.

- **Maintenance of DSRA and escrow account**



Press Release

The firm is required to maintain a DSRA account which imparts additional comfort over the repayment of debt. Further, the revenue of the projects will be routed through an escrow account maintained with the bank. The withdrawals from account will be as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses.

Key Rating Weaknesses

- **Geographical concentration risk**

As the projects of the firm is being executed in Chharodi, Ahmedabad, Gujarat, it is exposed to geographical concentration risk. The fortune of the projects therefore will depend on the overall market sentiment in the region.

- **Project Implementation Risk**

The projects are in the mid construction stage which indicates a moderate degree of project implementation risk. As on July 31st, 2024, the physical construction of the projects “Brillia” have been completed to 50%. However, the partners have vast experience in real estate sector which imparts some comfort

- **Exposure to risks relating to cyclicity in the real estate industry**

Being a cyclical industry, real estate depends on macro-economic factors and the firm’s dependence on a particular geography further heightens such risk. The real estate industry also remains susceptible to regulatory risk. Cumulatively, these may have a material bearing on the real estate projects cash flows. This may impact the debt servicing ability of the firm. Managing the same thus remains critical.

- **Partnership nature of constitution**

Given, Acorn Infraspace LLP is as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement, or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)



Press Release

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The adequate liquidity position of the firm is on account of the comfortable average cumulative cash flow coverage ratio of 1.62 times during FY25-FY28. Further, the firm is projected to maintain an adequate level of inflow and the same is expected to increase gradually with improvement in bookings. In addition, availability of escrow account will ensure the smooth repayments. Further, the firm is likely to benefit from the resourcefulness of the partners' group.

About the Company

Established in 2022, Acorn Infraspaces LLP (AILLP) is a Gujarat based partnership firm engaged in real estate business. Currently, the firm is headed by Mr. Sureshkumar Baldevbhai Patel and Mr. Bhaskarbhai Labhshankar Vyas. Recently, the firm is developing one commercial project "Brillia" in Chharodi, Ahmedabad. The project has 481 commercial units (400 offices and 81 shops). Further, the project consists of 32 Floors.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	0.00	0.00
EBITDA	-0.38	-11.46
PAT	-0.40	-12.21
Total Debt	0.00	0.00
Adjusted Tangible Net Worth	0.23	29.51
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall adjusted Gearing Ratio (x)	0.00	0.00
Interest Coverage (x)	-20.44	-15.40

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable



Press Release

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	175.00	IVR BBB-/Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Press Release

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Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupo n Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	February, 2029	175.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-acorn-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.