ELAN AVENUE LIMITED (Revised)

November 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-Convertible Debentures	240.00 (Reduced from 340.00)	CARE BB+; Stable	Revised from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the NCD of Elan Avenue Limited (EAL) is revised on account of timely launch of the residential and commercial project along with healthy sales and collection, high confirm receivable sufficient to cover the pending construction cost and debt and partial prepayment of the NCD. Further the rating derives comfort from experience promoters and established track record of operations of the group and favourable location of the projects. However, the rating remains constrained due high dependence on customer advances for project execution and debt repayment, project execution risk, inherent risk associated with real estate sector, cyclicality and seasonality are associated with real estate industry and exposure to local demand-supply dynamic.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in average monthly collection of more than Rs.60cr from The Presidential and The Mark.

Negative factors

- Increase in debt more than Rs.600cr excluding unsecured loans from promoters.
- Any major cancellation in The Presidential or The Mark leading to sold value falling less than 80%

Analytical approach:

Combined: CARE Ratings has adopted the combined approach for Elan Avenue Limited and Elan Imperial Private Limited as they are into similar line of business with common promoters' family i.e., Elan Group, cash flow fungibility, cross-collateralization of asset for NCD raised by both the companies. The credit risk assessment has been conducted based on a group approach by combining the financials and other operational performance of all the entities.

Outlook: Stable

The stable outlook reflects that the company is expected to generate consistent collection from the customers along with the project execution. Also, the existing liquidity of more than Rs.400cr will help the group to speed up the construction for both the projects.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with long track record of operations

Elan Group is promoted by Mr. Ravish Kapoor and Mr. Akash Kapoor, Mr. Ravish Kapoor has been overseeing sales and marketing of the company and Mr Akash Kapoor is responsible for group's operations across the finance and administrative verticals. They have more than 15 years of experience in real estate industry and their long presence in the market has helped the company in establishing good relationships with customers**.** In the past group has completed multiple projects in commercial segment in the Gurugram region, thereby enabling the promoters to have extensive experience of the micro market.

Timely launch of the residential and commercial project along with healthy sales and collection

The company has launched its residential project, "The Presidential" in November 2022 and its commercial project "The Mark " in March 2023. The Presidential project is 97% sold out for a total consideration of Rs. 3076.40 cr and received 21% of it. The Mark project is 100 % sold out for a total consideration of Rs. 1445 cr and received 14% of it. Apart from this the company is in the process of launching phase 2 of The Presidential and also planning to launch another commercial project in the next 6-9 months. The timely launch of the project along with almost 100% sales status has reduced the demand offtake risk to larger

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

extend. Apart from this the company has collected almost 21% in residential and 14% in commercial from the customers, which reduces the cancellation risk to larger extent.

High confirms receivable sufficient to cover the pending construction cost and debt and partial repayment of the NCD's

The company has pending customer advances of Rs. 3659. 34 cr, which is 80 % of the total sales. The total project cost incurred till 30 September 2023 is Rs. 586.65 cr i.e., 27 % of the total projected cost. The company has enough customer advances receivable to cover up the total projected cost. The customer advances receivable to balance construction cost and total outstanding debt stands at 181%. The company has already prepaid NCD's of Rs. 125 cr through customer advances received and has commenced construction of the residential project through customer advances itself. Given the current liquidity position and high confirmed receivable, the company reliance on external debt for construction of the project has reduced to larger extent.

Favourable location of the projects

All the land parcels acquired by the company are in Gurugram region in sector 106 and 82 with connected to other main roads in the city with other projects in the near vicinity. Therefore, the already developed area along with the other projects selling at premium rates in the near vicinity gives an advantage to the company in selling the inventory on timely basis. This can also be seen from the fact that the company has launched and sold both the residential and commercial project within a short span of time of the launch.

Availability of land bank

Elan group has acquired the land parcel of 40 acres from Indiabulls during H1FY23 for total consideration of approximately Rs.584cr. Of this the company has utilized around 20 acres for the launch of two projects and the remaining area is available for launch of other projects. Therefore, the availability of land bank, provides visibility over the future launches of new projects by company.

Key weaknesses

High dependence on customer advances for project execution and debt repayment

Presently there are two ongoing projects namely "The Presidential" and "The Mark "that are sold for a total consideration of Rs 4521 cr. The project cost is funded through a mixture of promoters' funds of Rs. 65 cr , debt of Rs. 217 cr and customer advances of Rs. 304 cr. The Presidential project is 97% sold out for a total consideration of Rs. 3076.40 cr and The Mark project is 100 % sold out for a total consideration of Rs. 1445 cr . The repayment of the outstanding debt availed will be through customer advances. The construction contract for The Presidential has been awarded to Leighton for a considerable amount of Rs 1100 cr. As on 30 Oct, 2023, the construction has been started and the company has paid mobilisation advances of Rs.93 cr to Leighton out of the customer advances. Under this contract, Leighton will build basement for both the phase 1 and phase 2 of the residential project and complete construction of 8 towers for the Presidential along with other amenities.

Project execution risk

The projects are at nascent stage of execution with only 27% of the estimated project cost incurred till September 30, 2023. The phase – 1 (The Presidential) has 8 towers and the construction has been started. With construction of Rs 1576.52 cr which is yet to commence, the projects remain exposed to execution risk. The projects are expected to be completed by October 2026. However, comfort can be derived from the fact that all preconstruction approvals have been received such as environmental clearance, CTE and Labour registration and almost 97% of the area is sold in The Presidential and 100% in The Mark.

Financial closure for the projects

As on September 30, 2023 , the company has incurred Rs. 586.65 crores on the development of the project funded through promotor funds, debt and customer advances. The company has availed the debt in the form of NCDs amounting to Rs.450 crores and repaid Rs. 125 cr through customer advances. The repayment of the outstanding debt of Rs. 325 will be done through customer advances over period of time The said NCD were taken for land acquisition and the construction of the projects is being done through customer advances.

Inherent cyclical nature of the real estate industry

The group is exposed to the cyclicality associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could discourage the consumers. . Developers will continue to focus on reducing their present inventory, before launching new projects. The developer's track record, quality of construction and delivery timelines will be crucial aspects that home buyers will consider in their purchase decisions. With RERA in place, the investment environment is also expected to improve.

Liquidity: Adequate
Liquidity remained adequate sufficient level of cash & bank balance remained ~Rs.451.78 crore as on October 30, 2023. The average cash coverage ratio in projected years is expected to remain at comfortable level against future debt repayments. Further, the group has been heavily dependent on customer advances to execute the ongoing projects and debt in the form of NCDs is availed by the group.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating methodology for Real estate sector
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

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

Elan Avenue Limited (EAL), was incorporated in the year 2007 in the name of "Airmid Developers Limited" which was later changed to Elan Avenue Limited in Sep 2022. The company is part of Elan group, incorporated by Mr. Rakesh Kapoor (Chairman) and is engaged in the business of real estate development. EAL is a part of Elan Group which is into the business of real estate development. Presently the company has two ongoing project – The Presidential and The Mark located in sector 106; Gurugram.

The company is launched for sales in Nov'22 for its residential and during Aug'23 for its commercial project. The Presidential project is 97 % sold out while The Mark is 100 % sold out. The total saleable area is 32.81 lsf for sale value of Rs. 4324.51 crores of which the company has sold 23.52 lsf area (area sold for Rs. 3076 cr) is for residential and 8.5 lsf area (area sold for Rs.1445 cr) is for commercial project.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q2 FY 24 (UA)
Total operating income	1.02	0.00	NA
PBILDT	-2.88	-0.11	NA
PAT	-2.63	4.54	NA
Overall gearing (times)	31.53	35.05	NA
Interest coverage (times)	NA	-7.55	NA

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

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
Debentures-Non-Convertible Debentures	INE403P07013	12-Dec-2022	19.5%	Dec -2026	215.00*	CARE BB+; Stable
Debentures-Non-Convertible Debentures	INE403P07021	09-March-2023	19.5%	Nov-2026	25.00	CARE BB+; Stable

*Issue size of this NCD was Rs. 225 cr , however the company has repaid Rs. 10 cr.

Annexure-2: Rating history for the 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	Debentures-Non-Convertible Debentures	LT	240.00	CARE BB+; Stable	-	1)CARE BB-; Stable (11-Nov-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Non-Convertible Debentures	Detailed Explanation
Covenants	
I. Annual Sales	Sales milestone of 2 lsf per quarter in the residential phase - 1 of Sector 106 and 50,000 sq. ft. per quarter in retail phase- 1 of Sector 106 project after launch.
II. RERA Approval	RERA approval for residential phase -1 of Sector 106 project by 31 December 2022.
III. Coupon Rate	19.5% p.a p.m (i.e monthly compounding) to be paid according to Coupon Payment Period, i.e. , it should be paid monthly from the 7th month from the first drawndown date at the cash coupon rate.
IV. Repayment Terms	The principal shall be paid in 48 instalments with moratorium of 12 months.
v. Other Terms	• Business plan to capture imprest amount of INR 5 cr per month • Receipts of occupancy certificate in relation to retail phase of Sector 106 Project by 30 December 2026. • Receipt of occupancy certificate in relation to residential phase -1 of Sector 106 project by 30 June 2027

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	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 for any clarifications.

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