

Press Release

Krrish Shalimar Projects Private Limited

August 14, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 120.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating of '**ACUITE B**' (read as **ACUITE B**) from '**ACUITE D**' (read as **ACUITE D**) on the Rs.120.00 crore bank facilities. The outlook is '**Stable**'.

Krrish Shalimar Projects Private Limited (KSPPL) was incorporated in 2010. The company is promoted by Shalimar Corp Limited (SCL). The promoters Mr. Rajesh Katyal and Mr. Amit Katyal are developing an ultra-luxury residential project under the name 'Ibiza town' at Faridabad, Haryana.

The rating is upgraded based on the regularities in debt repayment for last three months ending July 2018, moderate customer advances and project completion stage. The cost of construction for project 'Ibiza Town' is around 83 per cent spent of total project cost. The company has received customer advances of ~64 per cent of total expected proceeds from the project.

Key Rating Drivers

Strengths

- **Experienced Management**

Krrish Shalimar Projects Private Limited (KSPPL) has presence of nearly a decade in the real estate industry. The promoters possess extensive experience in this industry. SCL has a track-record of over two decades in real estate and hospitality sectors while the Krrish Group has interests in the hospitality and liquor industries.

Acuite believes that established track record of successful project execution and brand presence along financial backing from promoting company will continue to support its business risk profile over near to medium term.

Weaknesses

- **Moderate implementation and funding risk**

The construction of Krrish Shalimar is 83 per cent concluded which is expected to complete by June, 2019. The estimated cost of Ibiza town is Rs. 435.00 crore to be funded through capital and unsecured loans from promoters of Rs.115 crore, project loan of Rs.120.00 crore and advances from customers of Rs.200.00 crore. The company has incurred Rs.360.43 till 31 March, 2018 which was funded through capital and unsecured loan of Rs.115.32 crore, term loan of Rs. 120.00 crore and customer advances of Rs.125.11 crore. The remaining cost to be incurred will be funded through customer advances. As on 31 March, 2018, the company has incurred ~83 per cent of total project cost as against ~64 per cent advances received from customers. Acuite has witnessed cost overrun in the project in the past, any further cost overrun and company's ability to attract customers will remain a key rating sensitivity.

- **Delays in project implementation**

The construction of Ibiza town was started in April 2013. The company is constructing a total saleable area of ~7.98 lakh sq. ft. As on 31 March, 2018 the company has completed ~83 per cent of construction. Initially the project was expected to be completed in May 2018. The company has witnessed the delay in project completion and currently the project is expected to be completed by

June 2019. The timely completion of project as per the schedule and company's ability to attract customer advances will remain the key rating sensitivity for the company.

• **Exposure to the risks in the Real Estate Industry**

KSPPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to reduce prices. However, these risks are largely hedged for KSPPL due to the significant proportion of equity investment by the promoters and due to the completion of one project and near completion of another.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the KSPPL to arrive at this rating.

Outlook: Stable

Acuite believes that KSPPL will maintain a 'Stable' risk profile on account of its experienced management and low degree of project risk. The outlook may be revised to 'Positive' in case of higher than expected inflow of advances and booking levels. The outlook may be revised to 'Negative' in case of delays in project completion and high degree of cost escalation.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.01	26.25	52.74
EBITDA	Rs. Cr.	(2.01)	(0.95)	(0.94)
PAT	Rs. Cr.	(1.96)	0.22	0.21
EBITDA Margin	(%)	(14,513.35)	(3.62)	(1.79)
PAT Margin	(%)	(14,119.82)	0.85	0.40
ROCE	(%)	(0.95)	0.15	0.19
Total Debt/Tangible Net Worth	Times	10.82	8.00	6.27
PBDIT/Interest	Times	(42.74)	14.29	8.20
Total Debt/PBDIT	Times	(104.67)	424.20	286.51
Gross Current Assets (Days)	Days	78,18,192	3,463	1,561

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-Jul-17	Term Loan	Long Term	120.00	ACUITE D (Downgraded)
16-Mar-16	Term Loan	Long Term	76.00	ACUITE BB- / Stable (Reaffirmed)
	Proposed Term Loan	Long Term	44.00	ACUITE BB- / Stable (Reaffirmed)
03-Mar-15	Proposed Term Loan	Long Term	120.00	ACUITE BB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE B / Stable (Upgraded)

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About Acuite Ratings & Research:

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