

Press Release

Buland Housing Private Limited

May 23, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable (Downgraded from SMERA BB+/Stable)
Short Term Rating	SMERA A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA BB** (read as SMERA double B) from '**SMERA BB+** (read as SMERA double B plus) on the Rs.10.00 crore bank facilities and assigned the rating of '**SMERA BB** (read as SMERA double B) on Rs.11.50 crore bank facilities.

Further, SMERA has withdrawn the long term rating of '**SMERA BB+** (read as SMERA double B plus) and short term rating of '**SMERA A4+** (Read as SMERA A four plus) on the Rs.11.50 crore bank facilities of Buland Housing Private Limited (BHPL). The outlook is '**Stable**'.

The rating revision is due to delay in project execution and lower than expected customer advances as a percentage of project completion.

BHPL, incorporated in 2006, is engaged in development of residential projects in Agra. The company is developing two projects 'Buland City' and 'Buland Vatika' at Agra.

Key Rating Drivers

Strengths

Experienced management:

BHPL is led by Mr. Phudilal Sharma (Managing Director) and Ms. Kamla Sharma (Director). The promoters of the company have experience of over a decade and have successfully executed two projects in the past.

Low implementation and funding risk:

BHPL has completed a residential project of Buland City in December, 2016, while the construction of Buland Vatika is 75 percent concluded which is expected to complete by June, 2019. The estimated cost of Buland Vatika Project is Rs.30.35 crore to be funded through internal accruals of Rs.10.00 crore, project loan of Rs.10.00 crore and advances from customers of Rs.10.35 crore. The company has incurred Rs.23.74 till 31 March, 2018 which was funded through internal accruals of Rs.5.28 crore, term loan of Rs.6.99 crore and customer advances of Rs.11.47 crore. The remaining cost to be incurred will be funded through internal accruals. The total cost of Buland City Project was Rs.34.75 crore of which Rs.34.53 crore have been incurred till March, 2018.

Weaknesses

Lower than expected customer advances as against total estimated sales proceeds:

The Buland Vatika Project was scheduled to complete by November, 2017. However, the project got delayed due to slowdown in the industry and is now expected to complete by June, 2019. The company has received bookings for 46 flats out of 127 flats. The advances received as on 31 March, 2018 is Rs.11.47 crore against the units sold which is 25.99 percent of total expected sales proceeds.

The construction of the project Buland City is complete and BHPL has received bookings for 180 flats out of total 228 flats. The advances received as on 31 March, 2018 is Rs.31.36 crore against the units sold which is 53.62 percent of total expected sales proceeds and further Rs.5.00 crore on the sold units is expected to be received on transfer of possession to customers.

Geographical concentration:

BHPL's projects are concentrated in the same locality at Fatehbad Road in Agra. This exposes the company to the risks associated with demand supply dynamics in one locality. In case of lower demand in the area, the cash flows from the two projects shall be adversely affected. SMERA believes that the cross- hedging of business risk and offtake risk across projects is not feasible for BHPL due to the high degree of geographical concentration.

Exposure to the risks in the Real Estate Industry:

BHPL 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 BHPL due to the significant proportion of equity investment by the promoters and due to the completion of one project and near completion of another.

About the Projects:

BHPL has completed one project with 72 residential (2 & 3 BHK) units in Agra titled 'Buland Valley'. The project has received 100 percent bookings till date. BHPL is also constructing two more projects – Buland Vatika and Buland City.

Buland City comprises of 127 residential (2 & 3 BHK) units and duplexes. BHPL has 75 percent of the saleable area booked under this project and 99.37 percent of the cost has been incurred till 31 March, 2018.

Buland Vatika comprises of 157 residential (2 & 3 BHK) units. 30 percent of the total saleable area for the project has been booked and approximately 78.22 percent of the cost has been incurred till 31 March, 2018.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BHPL to arrive at the rating.

Outlook: Stable

SMERA believes that BHPL 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	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	7.19	10.61	20.94
EBITDA	Rs. Cr.	1.60	1.91	2.37
PAT	Rs. Cr.	0.31	0.63	0.62
EBITDA Margin	(%)	22.25	17.97	11.34
PAT Margin	(%)	4.36	5.89	2.95
ROCE	(%)	9.24	12.95	15.08
Total Debt/Tangible Net Worth	Times	1.02	1.20	0.76
PBDIT/Interest	Times	1.29	1.43	1.52
Total Debt/PBDIT	Times	5.00	4.58	3.23
Gross Current Assets (Days)	Days	2,200	1,718	792

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
29-Jan-2018	Term Loan	Long Term	10.00	SMERA BB+ (Indicative)
	Term Loan	Long Term	10.00	SMERA BB+ (Indicative)
	Bank Guarantee	Short Term	1.50	SMERA A4+ (Indicative)
14-Oct-2016	Term Loan	Long Term	10.00	SMERA BB+/Stable (Assigned)
	Term Loan	Long Term	10.00	SMERA BB+/Stable (Assigned)
	Bank Guarantee	Short Term	1.50	SMERA A4+ (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 loans - 1	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+/ Stable (Withdrawn)
Term loans - 2	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB/ Stable (Downgraded)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	11.50	SMERA BB / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+ (Withdrawn)

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ABOUT SMERA

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