

Press Release

14 March, 2017

Sahasra Builders & Developers

Rating Assigned

Total Bank Facilities Rated *	Rs. 10.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 10.00 crore bank facilities of Sahasra Builders & Developers. The outlook is '**Stable**'.

Sahasra Builders & Developers (SBD), established in 2011 is a Bangalore-based real estate firm. Promoted by Mr. S. Ramesh Reddy and Mr. S. Nagaraju Reddy, the firm is engaged in the development of projects in and around Bangalore.

Key Rating Drivers

Strengths

- **Experienced promoters**

The promoters of the firm, Mr. S Ramesh Reddy and Mr. S. Nagaraj Reddy have collective experience of around three decades in the development of residential property.

- **Low funding risk**

The latest project, Sahasra Grand, a luxury project is at an advanced state of construction. The estimated project cost is Rs.36.70 cr, likely to be funded through customer advance of Rs. 17.28 cr, bank borrowings of Rs.10.00 cr and promoter's contribution of Rs. 9.42 cr. As on 20/02/2017, the firm incurred a total cost of Rs.30.92 cr, of which Rs. 9.00 cr was funded through a bank loan, Rs.14.00 crore from customer advances and the rest through promoters funds.

- **Comfortable booking level**

The firm has received bookings for 65 units till date out of a total of 83 (~ 78 per cent of total bookings). It has already received advances of Rs.14.00 cr and Rs.28.00 cr is expected against the units sold.

- **Advanced stage of project completion**

The project is at an advanced stage with around 15 percent construction work pending. The possession is expected to be given by June, 2017.

Weaknesses

- **Moderate customer advances as against total sales proceeds**

The firm has collected customer advances of Rs. 14.00 cr against total expected sales proceeds of Rs. 54.62 cr which constitutes around 26 percent of the total proceeds.

- **Inherent cyclicity in the construction sector**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. The risks associated with the real estate industry are - cyclical nature of business (drop in property prices), interest rate risk that can affect operations.

- **Stiff competition**

Kalyan Nagar is one of northern Bengaluru's fastest-developing residential localities with several residential projects under construction. The firm is exposed to intense competition in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in liquidity position on account of delays in project execution or collection of booking money.

About the Project

The firm has already completed two residential projects - Sahasra Maple and Sahasra Pride in Bangalore. Currently, the firm is developing a luxury residential project 'Sahasra Grand' at Kalyan Nagar, Bangalore with total saleable area of 1.15 lakh sq ft to construct 156 units consisting of 2BHK and 3BHK apartments. This is under the joint development agreement wherein land owners and builders will receive 73 units and 83 units respectively. The total project cost is Rs.36.70 cr and the total sale proceeds expected is Rs.54.62 cr.

About the Rated Entity - Key Financials

For FY2015-16, SBD reported profit after tax (PAT) of Rs. 0.09 cr on operating income of Rs.1.22 cr as against PAT of Rs. 0.19 cr on operating income of Rs. 5.59 cr in the previous year. The networth of the firm stood at Rs. 5.75 cr as on 31st March, 2016 as against Rs. 5.68 cr in the previous year.

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

CARE Rating Limited, vide release dated December 28, 2016 has suspended the ratings of SBD on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	31-Dec-2017	10.00	SMERA BB / Stable

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ABOUT SMERA

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