

Press Release

SKP Corp Private Limited (SKP)

March 31, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.20.00 Cr.
Long Term Rating	SMERA BB-/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned the rating of '**SMERA BB-' (read as SMERA double B minus)** on the above mentioned bank facilities of SKP Corp Private Limited (SKP).

SKP, incorporated in 2010 is part of the Pune-based Amit Group. The company is engaged in real estate development (residential and commercial).

List of key rating drivers and their detailed description

Strengths

Established market position: The promoters, Mr. Kishor Pate and Mr. Sanket Pate have experience of over three decades in the development of residential and commercial property. Till date, the Amit group has completed ~70 projects spread across an area of 4.8 mn. sq.ft. worth Rs. 2000.00 crore. The upcoming projects are worth Rs.10,000 crore spread over an area of 12 mn sq. ft.

Weaknesses

Project execution and implementation risk: Construction of Sky Pavilion, a commercial project began in September 2016 at a project cost of Rs.46.97 cr. The company has incurred Rs. 27.11 cr as on December 31, 2016.

High dependence on customer advances: The project is expected to be funded through term loan of Rs. 20.00 cr, customer advances of Rs.18.15 cr and promoters funds of Rs. 8.82 cr. Of which promoters funds are deployed against land purchase and land development. Further, the term loan of Rs. 11.79 crore is disbursed and company received customer advances of Rs. 7.20 crore (out of funding requirement of Rs. 18.15 crore) as on February 28, 2017. The project completion is highly dependent on customer advances and borrowings.

Competition from ongoing and new projects in the vicinity: With Pune being a rapidly growing city on the residential as well as commercial front, the project faces competition from the existing (unsold) and newly developed commercial spaces in Undri, Pune.

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 company is exposed to the cyclical nature of business (drop in property prices), interest rate risk etc. Furthermore, the subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals among others may result in stress on cash flows.

Outlook – Stable

SMERA believes that SKP will maintain a stable outlook in the medium term owing to its experienced management and established brand name. The outlook may be revised to 'Positive' if the company generates steady cash flows as per anticipated customer advances from bookings. Conversely, the outlook may be revised to 'Negative' in case of delay in project execution or in collections thereby creating pressure on liquidity.

Analytical Approach: SMERA has considered the standalone business and financial risk profiles of SKP along with ongoing support of the Amit group.

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the project

SKP has undertaken construction of Sky Pavilion, a commercial project, at Undri, Pune at a cost of Rs.46.97 crore to offer commercial space ranging from 300 sq. ft. to 21,000 sq. ft.

About the Rated Entity – Key Financials

For FY2015-16, SKP reported profit after tax of Rs.0.88 cr on operating income of Rs.11.67 cr. The net worth stood at Rs.0.52 cr as on 31 March 2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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
Drop Line Overdraft	Not Applicable	Not Applicable	July 2019	20.00	SMERA BB- /Stable (Assigned)

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ABOUT SMERA

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