

Press Release

Shivpriya Realtors LLP

13 November, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B** (read as SMERA B)' on the Rs. 35.00 crore bank facilities of Shivpriya Realtors LLP (SRL). The outlook is '**Stable**'.

SRL is a Pune-based partnership firm established in 2013 by Mr. Prakash Dhariwal and Mr. Umesh Kothawade. The firm is part of the Vasudha Group which is engaged in the development of residential and commercial projects in Pune since 2006. SRL is presently developing a commercial project under the name "V-18" in Pune.

List of key rating drivers and their detailed description

Strengths:

Established track record and experienced promoters: The promoters, Mr. Prakash Dhariwal and Mr. Umesh Kothawade collectively possess around two decades of experience in the real estate industry. They have successfully developed 15 projects (residential and commercial) in and around Pune.

Moderate funding risk: The estimated cost of the above project is Rs. 89.52 crore to be funded through customer advances of Rs. 18.70 crore, bank borrowings of Rs. 35.80 crore and promoter's fund of Rs. 35.02 crore. Further, as on 29th September, 2017, the firm incurred cost of Rs. 30.38 crore, of which Rs. 3.93 crore was funded through customer advances, Rs. 5.00 crore through bank borrowings and the rest through promoter's fund.

Weaknesses:

Initial stage of project: Work on the project commenced from April, 2017 and is expected to be completed by April, 2019. The firm has incurred ~34 per cent of the total project cost as on 29th September, 2017 which stood at Rs. 30.38 crore.

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

Stiff competition from ongoing and new projects in the vicinity: Balewadi is one of the fastest growing suburbs of Pune. It is part of the Smart Cities Mission initiated by the Government in 2015. It has several residential as well as commercial projects under construction. The area has easy access to transport and several educational institutions are located around Balewadi.

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

Applicable Criteria

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

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

Outlook: Stable

SMERA believes that SRL will maintain a Stable outlook over the medium term owing to its experienced management and established presence in the real estate industry. 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 the liquidity position on account of delays in project execution or collection of booking money.

About the Project

The firm is developing its first commercial project "V-18" at Belwadi, Pune with total saleable area of 1.35 lakh square feet to construct 73 units which include three restaurants (Ground Floor and top terrace), four showrooms (ground and first floor) and 66 offices (10 offices on each floor except on the fifth and sixth). The total project cost is Rs. 89.52 crore and the total sale proceeds expected is Rs. 164.35 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/Outlook
Term Loan	N.A	N.A	June 2020	35.00	SMERA B/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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