

Press Release

Shivpriya Realtors LLP

March 04, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 35.00 crore bank facilities of SHIVPRIYA REALTORS LLP (SRL). The outlook is '**Stable**'.

SRL is a Pune based firm established in 2013 by Mr. Prakash Dhariwal and Mr. Umesh Kothawade. The firm is engaged in development of commercial projects. SRL is part of Vasudha group which is into development of residential and commercial projects since 2006. SRL has one ongoing project currently i.e. V-18 at Balewadi (Pune) which is also its first project with total saleable area of 1.35 lakh square feet to construct 73 units. The 73 units being constructed includes three restaurants (Ground Floor and top terrace), two showrooms (ground and first floor) and 68 offices (10 offices on each floor except fifth and sixth floor). The total project cost is Rs.89.52 crore and the total sale proceeds expected is Rs.164.35 crore.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SRL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record and experienced promoter:**

The promoters of the firm Mr. Prakash Dhariwal and Mr. Umesh Kothawade collectively possess around two decades of experience in the real estate industry. They have successfully developed fifteen projects including residential and commercial projects located in & around Pune under Vasudha Group. Acuité believes that the promoter's established track record of successful project execution and financial backing from promoter group will continue to support its business risk profile over near to medium term.

- **Low funding risk:**

The firm is developing a commercial project –'V-18' located at Balewadi (Pune). The total cost of the project is Rs.89.52 crore. Out of the total funding requirement of Rs.89.52 crore, promoters infused Rs.34.52 crore against their portion of Rs.35.02 crore. Also, the firm has sanctioned term loan of Rs.35.80 crore, of which Rs.24.95 crore is disbursed till November 2019 and out of required customer advances of Rs.26.86 crore, the firm has already received Rs.19.05 crore as on November, 2019. Acuité believes that the undrawn limits from bank and financial backing from promoter group will support the project completion on scheduled time.

Weaknesses

- **Low Booking Levels:**

The project 'V-18' commenced from the month of April 2017 is expected to be completed by April 2020. The company has incurred ~88 per cent cost as on November, 2019. The traction in receipt of advances has declined as marked by current booking level of only ~21 percent i.e. 15 commercial offices sold, out of 73. The customer advances received Rs.14.16 crore as on November 2019. Further, in addition to this, the firm has entered into agreement for leasing of three restaurants from April, 2020. The firm have received security deposit of Rs.1.21 crore and monthly

rental expected is Rs.0.25 crore with an escalation clause of 5 percent annually. The firm has loan repayment starting from February, 2020. Acuité believes that the group's ability to achieve sales traction and adequate customer advances to repay debt obligation towards this project will be key rating sensitivity.

• Inherent cyclical and stiff competition 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) and interest rate risk, among others that could affect the operations of the firm. Further, the firm faces competition from the other ongoing and new projects in the vicinity. The project 'V-18', situated in Balewadi, is one of the fastest growing suburbs in Pune. 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.

Outlook: Stable

Acuité believes that SRL will maintain 'Stable' business risk profile in the medium term on the back of experienced management and established presence of the group 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 firm's liquidity position on account of delays in project execution or collection of booking money.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.64	0.42
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.99	0.44
PBDIT/Interest	Times	1.52	1.53

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Real Estate entity- <https://www.acuite.in/view-rating-criteria-41.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
20-Dec-2018	Term Loan	Long Term	35.00	ACUITE BB / Stable (Upgraded)
13-Nov-2017	Term Loan	Long Term	35.00	ACUITE B / Stable (Assigned)

***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 loan	1-10-2017	Not Applicable	1-07-2022	35.00	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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