

Press Release

HARSHA DEVELOPERS

March 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 75.00 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 minus) on the Rs. 75.00 crore bank facilities of HARSHA DEVELOPERS. The outlook is 'Stable'.

Harsha Developers was incorporated in August, 2013. The Firm is engaged in the construction of commercial and residential buildings, at present the firm is constructing 198 units of apartments, which is adjacent to one of the posh areas in Hyderabad (Jubilee Hills). This construction is taking place in around 6 acres adjacent to Jubilee Hills.

Key Rating Drivers

Strengths

- **Significant experience of promoters in the construction sector**

The promoters have significant experience in the construction industry. The company belongs to the Jampana group, which has companies in construction and infrastructure segment. The group is engaged in the construction of residential and commercial buildings, bridges, hospitals, layout development etc in Karnataka, Tamil Nadu, Maharashtra and Andhra Pradesh.

- **Funds infusion by promoters**

The total project cost is Rs. 276.74 to be funded by term loans of Rs. 75.0 cr, equity of Rs. 48cr and rest through advances. The company has not yet used any external borrowings and promoters have infused ~Rs. 40 cr as on Jan'18 end. The company is part of the group with entities in the construction segment and has strong presence in the segment in southern region.

Weaknesses

- **Geographical Concentration**

HD has only one project which is located in Hyderabad. As a result, any disruption in the business dynamics or the regulatory environment in the area can adversely impact the business risk profile of the company. SMERA believes that the business risk of the area would be a key sensitivity in getting customer advances and selling the project

- **Project completion risk**

The project is still in construction phase with around 15% of the work being completed. The company is hence exposed to delays in construction. The completion of the project is expected to be in Sep, 2020. SMERA believes that the risk associated with the project range from construction delays to timely sales of the flats. Going forward, this would be a determining factor for timely debt servicing and meeting other obligations.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will be able to maintain the scheduled construction timelines. The outlook may be revised to positive in case the company receive higher than expected customer advances. The outlook may be revised to negative in case of inordinate project delays or lower than expected customer advances.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	-0.12	0.00	0.00
EBITDA	Rs. Cr.	0.02	-0.04	-0.25
PAT	Rs. Cr.	0.00	-0.03	-0.26
EBITDA Margin	(%)	-15.04	0.00	0.00
PAT Margin	(%)	3.47	0.00	0.00
ROCE	(%)	0.01	-0.04	-5.95
Total Debt/Tangible Net Worth	Times	0.07	0.07	0.14
PBDIT/Interest	Times	11.75	-0.17	-15.70
Total Debt/PBDIT	Times	17.94	-218.98	-4.06
Gross Current Assets (Days)	Days	-26032	0	0

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

NA

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>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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 Loan	Not Applicable	Not Applicable	Not Applicable	75.00	SMERA BB- / Outlook: Stable

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ABOUT SMERA

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