Press Release

Shrachi Burdwan Developers Private Limited

27 June, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' **(read as ACUITE triple B minus)** on the Rs. 30.00 crore bank facilities of Shrachi Burdwan Developers Private Limited (SBDPL). The outlook is **'Stable'**.

Incorporated in 2006, Shrachi Burdwan Developers Private Limited was floated as a 50:50 joint venture between Bengal Shrachi Housing Development Limited and Xander Investment Holding VI Limited, a Mauritius based Investment arm of Xander group. The entity was started for the execution of the satellite township project "Renaissance" at Burdwan, West Bengal. In 2017, Xander Investment holding went out of the JV and Haridham Construction Private Limited (a Shrachi group company) was inducted in the Joint Venture. The township includes standalone towers with residential flats ranging from 450 sq feet to 2000 sq ft, bungalows having living space of 1325 sq ft to 1915 sq ft, residential plots, two schools, a multi-speciality hospital and a club.

Key Rating Drivers

Strengths

Experienced management

SBDPL was jointly promoted by the Shrachi Group and Xander Investment who have extensive experience in developing real estate and commercial properties in West Bengal. The Shrachi group has executed over 20 residential projects in Kolkata, Durgapur, Burdwan in West Bengal and has sold ~ 50, 00,000 sq ft of area. The group is managed by the Todi family under the leadership of Mr. SK. Todi along with his sons, Mr. Ravi Todi and Mr. Rahul Todi. The long experience and track record of successful completion of projects have enabled them to execute many projects.

Healthy customer advance

The project "Renaissance" has been funded mostly from customer advances with ~ 75 per cent of the total project cost of Rs 335 crs incurred being funded through customer advance of ~ Rs 250 crs and Rs 85 crs of bank loan. As on April 2018, 1,266 units were booked out of a total of 1,958 (~65 per cent). Further, there are 3 sub-projects being undertaken in the township namely housing, twin towers and bungalows where expected total cost to be incurred is Rs 60-65 crs, of which 25 per cent is already incurred. Going forward, bookings and timely receipt of customer advances to complete the project will be key rating sensitivities.

Weaknesses

Project execution and implementation risk

The project is being implemented in phases. Currently, there are 3 sub-projects being undertaken in the township namely housing, twin towers and bungalows which are likely to complete by

March'19. The total expected cost to be incurred is Rs 60-65 crs, of which 25 per cent is already incurred. The balance is expected to be funded from customer advance and bank loan. The project is predominantly funded through customer advances; however ACUITE notices a slowdown in the recent receipt of customer advance as evident from the receipt of Rs 6.5 cr from Jan'2018 to April'18. The pace of bookings and timely receipt of customer advances remain critical for timely implementation of the project.

Outlook: Stable

ACUITE believes the company will maintain its business risk profile in the medium term backed by its long track record of execution of projects. The outlook may be revised to 'Positive' if the company generates steady cash flows as per projected customer advances from the bookings. Conversely, the outlook may be revised to 'Negative' in case there is any delay in executing the project or the collections from the bookings gets delayed, thereby creating pressure on liquidity.

Analytical Approach: ACUITE has considered the standalone business and financial risk profiles of SBDPL to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.58	71.89	29.73
EBITDA	Rs. Cr.	7.08	8.30	9.28
PAT	Rs. Cr.	3.18	2.82	3.00
EBITDA Margin	(%)	12.96	11.54	31.22
PAT Margin	(%)	5.83	3.93	10.08
ROCE	(%)	11.55	13.81	27.14
Total Debt/Tangible Net Worth	Times	3.06	3.05	4.05
PBDIT/Interest	Times	2.09	1.93	1.82
Total Debt/PBDIT	Times	7.21	5.25	5.81
Gross Current Assets (Days)	Days	8.29	691	1957

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

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/criteria-default.htm
- Infra Entities -https://www.acuite.in/criteria-infra.htm
- Financial Ratios And Adjustments - https://www.acuite.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.acuite.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. Crore)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- /Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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