

Press Release



Shrachi Burdwan Developers Private Limited

19 October, 2019

Rating Downgraded

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

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**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**'.

The revision in rating is on account of limited traction in the past project, especially the unsold inventory which stood in the books at ~ Rs 69.74 crore as on 31st March'19 (prov). The unsold inventory majorly consists of the residential plots launched in FY 2011-12 and other residential properties launched in FY 2015-17. Further, Acuité has considered the recent trend in the real estate sector where fund raising from external sources continues to be a challenge considering the increasing challenges faced by non-banking financial companies (NBFC) and housing finance companies (HFC) in resource mobilisation. The company also has repayment obligation to the tune of ~ Rs 18 crore in FY 2020-21, any further slowdown in the sales of the completed projects will lead to liquidity crunch going forward.

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 execution of the satellite township project "Renaissance" at Burdwan in West Bengal. In 2017, Xander Investment holding went out of the JV and Haridham Construction Private Limited (a Shrachi group company) was inducted into the Joint Venture. The township includes standalone towers with residential flats ranging from 450 sq feet to 2000 sqft, bungalows having living space of 1325 sqft to 1915 sqft, residential plots, two schools, a multi-specialty hospital and a club.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ShrachiBurdwan Developers Private Limited.

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 sqft 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 booking and adequate collection received in the newly launched project

The company has commenced construction and development of affordable housing complex in the Renaissance township since April'19. The project has been launched under the name "Solis" consist of 6 towers of which only 2 towers are launched. Since its launch the project has witnessed healthy booking where ~ 163 units has been booked out of the 300 units launched i.e (55 per cent) during the four month ended July'19. Customer advance has been received to the tune of Rs 4 crore during this period. Going forward, bookings of the remaining unit and timely receipt of customer advances to complete the project will be key rating sensitivities.

Weaknesses

Limited traction in inventory levels

Acuité has noticed limited salability in the past project of the township which majorly consists of the residential plots. 618 plots were launched in FY 2011-12 of which around 230 plots are unsold as on July'19. Further, smart homes, twin house and bungalows were launched between FY 2015-17 and till date ~ 126 units has been sold, out of the 356 units launched. The recent track record of the salability further does not show any encouraging trend where advances has been received for 75 units out of the total 480 unsold units combining entire categories of unsold properties. Advances have been received to the tune of Rs 8 crore during the 4 month ended July'19 from the aforementioned projects. Any slowdown going forward, in the pace of bookings and customer advance will lead to delay in timely completion of the project. Further, they would put pressure on liquidity where the company has repayment obligation to the tune of ~ Rs 18 crore in FY 2020-21.

Susceptibility to cyclicity in the real estate industry

The domestic real estate industry is marked by cyclicity, opaque transactions, and intense fragmentation because of the presence of a large number of regional players.

Rating Sensitivity

SBDPL's ability to improve the pace of bookings from its past projects launched earlier and timely receipt of the customer advance from the same are the key rating sensitivity. Further, arranging funds from external agencies would remain a key rating sensitivity.

Material Covenants

None

Liquidity Profile

Liquidity is adequate, as reflected in sufficient cash accrual, but is susceptible to the risk of a slowdown in the flow of customer advances. The company received advances of Rs 12 crore during the 4 month period ended July '19 from all the ongoing projects. Since the repayment obligations are minimal in FY 2019-20, the company is prepaying its loan obligations. The company has repayment obligation to the tune of ~ Rs 18 crore in FY 2020-21. However, any delay in sale of flats or realisation of customer advances due to a slowdown could hit liquidity.

Outlook: Stable

Acuité believes that SBDPL will continue to benefit over the medium term from the management's experience and its long track record. The outlook may be revised to 'Positive' if SBDPL achieves more than envisaged bookings and customer advance, and improves its liquidity. Conversely, the outlook may be revised to 'Negative' if there is a delay in pace of bookings and sale of flats or realisation of customer advances thereby impacting liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	39.79	61.10	71.89
EBITDA	Rs. Cr.	10.24	9.56	8.30
PAT	Rs. Cr.	1.01	2.32	2.82
EBITDA Margin	(%)	25.73	15.64	11.54
PAT Margin	(%)	2.54	3.80	3.93
ROCE	(%)	12.17	13.43	13.81
Total Debt/Tangible Net Worth	Times	2.63	2.54	1.64
PBDIT/Interest	Times	1.28	1.86	1.93
Total Debt/PBDIT	Times	5.76	5.47	4.34
Gross Current Assets (Days)	Days	1036	652	691

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.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
05-September-2019	Proposed Long Term Loan	Long Term	30.00	ACUITE BBB-Issuer not co-operating*
27-June-2019	Proposed Long Term Loan	Long Term	30.00	ACUITE BBB-/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
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)

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