

Press Release

Shree Vardhman Township Private Limited

October 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 25.00 crore bank facilities of Shree Vardhman Township Private Limited (SVTPL). The outlook is '**Stable**'.

SVTPL was incorporated in 2005. It is a part of real estate group 'Shree Vardhman Group' in Kurukshetra (Haryana). The company is promoted by Mr. Sandeep Jain and Mr. Sachin Jain. The group has total 76 lakh square feet area in Haryana at various locations. The group has around 7 other ongoing projects at Haryana for developing residential area, commercial space and infrastructures. The company has undertaken construction of a developing residential area consisting of Plotting, Low Rise Floors (G+2) and Commercial Space in Haryana. This project is not registered under Real Estate Regulatory Authority (RERA).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Shree Vardhman Township Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

- **Experienced management**

The company is promoted by Mr. Sandeep Jain who has experience of over two decade in the consultancy of real estate companies. The company has obtained license for Development of Residential Plotted Colony from Town and Country Planning Department.

- **Advanced stage of project completion and low funding risk**

The company is developing residential area consisting of Plotting, Low Rise Floors (G+2) and Commercial Space - Shree Vardhman City (plotting) and Shree Vardhman My Homes (residential project) located at Kurukshetra (Haryana). The Project has two phases which includes plotting, residential area and second phase includes commercial space. The construction of first phase was started in June 2016 and around 90 percent is completed till March, 2018. The project has total saleable area of 10.94 lakhs square feet to construct 84 residential flats and 400 plots at a total project cost of Rs.170.36 crore of which Rs.141.00 crore (83 percent) is incurred as on August 2018. It is funded through promoter's infusion of Rs.41.62 crore, term loan of Rs.31.00 crore and advances from customers of Rs.68.38 crore as on August, 2018. The second phase will start from October 2018 for development of commercial space which has total saleable area of 1.59 lakh square feet. The total project cost will be around Rs.25.48 crore which shall be funded by promoter's contribution of Rs.10.00 crore and term loan of Rs.15.00 crore.

- **Comfortable booking levels**

The construction is at an advanced stage with bookings for 59 flats out of total 84 and 230 plots out of 400 completed. The total saleable area is 10.93 lakh sq. ft. The total expected revenue is around Rs.225.00 crore. The total value of booked units is Rs.119.37 crore out of which customer advances received against bookings is Rs.68.38 crore as on August, 2018.

Weaknesses

• Inherent cyclical in construction sector

The real estate industry in India 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, among others. Furthermore, in the light of the ongoing economic downturn, the sector is facing issues on many fronts. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, thereby, resulting in stress on cash flows.

Outlook: Stable

Acuité believes that SVTPL 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 company 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 Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3.88	8.37	5.77
EBITDA	Rs. Cr.	7.51	10.50	6.94
PAT	Rs. Cr.	0.51	0.18	0.09
EBITDA Margin	(%)	193.45	125.43	120.26
PAT Margin	(%)	13.19	2.16	1.60
ROCE	(%)	17.25	17.43	16.99
Total Debt/Tangible Net Worth	Times	3.66	15.13	13.08
PBDIT/Interest	Times	1.12	1.03	1.03
Total Debt/PBDIT	Times	2.20	5.82	7.09
Gross Current Assets (Days)	Days	8242	4807	6272

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B+ / Stable
Proposed Short Term Loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4

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About Acuité Ratings & Research:

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