

## Press Release

**Shree Riddhi Siddhi Buildwell Limited**

September 15, 2020



**Rating Reaffirmed Assigned & Withdrawn**

<b>Total Bank Facilities Rated*</b>	Rs.35.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed & Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.32.75 crore and assigned the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.2.25 bank facilities of Shree Riddhi Siddhi Buildwell Limited (SRSBL). The outlook is '**Stable**'.

Agra-based, SRSBL was incorporated in 2010 by Dr. Pramod Kumar Jain, Mr. Ankur Jain and Mr. Anuj Jain as a private limited company. SRSBL is engaged in the real estate development business. The company has also expanded into the field of civil construction and infrastructure development from the year 2017. The company currently has unexecuted orders worth Rs.150.00 crore for infrastructure development, which is to be executed within a year.

SRSB has successfully completed two real estate projects 'Padam Pride Phase-I' and 'Padam Eternity', and currently, the company has two ongoing projects, 'Padam Pride Phase-II' and 'Padam Corporate Park'.

### Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of SRSBL.

### Key Rating Drivers

#### Strengths

- **Experienced proprietor and improving business risk profile**

The promoters, Dr. Pramod Kumar Jain has significant experience of over four decades and Mr. Ankur Jain and Mr. Anuj Jain have experience of almost two decades in the real estate industry through group companies. The promoters have established a track record of successful project execution through various entities.

SRSBL has two completed projects, 'Padam Pride Phase-I' and 'Padam Eternity'. Padam pride phase-I was launched in 2017 with the total salable area of 3,30,720 LSF. The project has sales potential of Rs.86.48 crore. However, the project is completely sold out. Padam Eternity was launched in 2018 with the total salable area of 1,10,422 LSF. The project has sales potential of Rs.14.34 crore. This project has attracted ~77 percent customer attraction.

Further, the company diversified into the Infrastructure segment. SRSBL undertakes sub-contract orders from reputed infrastructure players such as GMR Infra Limited, Ashoka Buildcon and Alstom Systems India Private Limited among others. The company has registered Rs.70.79 crore in FY2020 (Provisional) as against Rs.35.89 crore in FY2019. The growth was purely driven by infrastructure orders. Currently, SRSBL has order book position of Rs.150.00 crore out of which Rs.100.00 crore is to be executed by FY2021. The diversification into infrastructure segment has enabled SRSBL to mitigate the current risk in the real estate sector.

Acuité believes that the promoter's vintage along with financial backing from promoters and venturing into the infrastructure sector will continue to support its business risk profile over near to medium term.

- **Healthy bookings along with expected project progress**

SRSBL has two ongoing projects, Padam Corporate Park (Commercial) and Padam Pride Phase-II (Residential). The construction status as on 31 March, 2020 is ~94 per cent and ~82 per cent.

respectively. Padam Corporate Park is expected to complete by June, 2022 and Padam Pride Phase-II is expected to complete by December, 2020. Moreover, the company has shown the ability to attract customer bookings to the tune of ~83 per cent for Padam Corporate Park and 52 per cent for Padam Pride Phase-II. SRSBL has received Rs.66.36 crore in the form of customer advances from both the project, which is ~85 percent of the total expected customer advance.

Further, the current market scenario of COVID-19 has moderately impacted the completion of on-going residential project as, project sites are shut, migration of labor back to their hometowns and unavailability of raw material. However, the sites started operating from mid-June, 2020.

## Weaknesses

- **Competitive and fragmented industry**

SRSBL has recently entered into the business of civil construction. This particular sector is marked by the presence of several mid to big size players. SRSBL would face intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts.

- **High execution risk over susceptibility to real estate cyclical and regulatory risks**

SRSBL is exposed to the risk of volatile prices on account of frequent demand-supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developer's ability to reduce prices. Further, the industry is exposed to regulatory risk, which is likely to impact players such as SRSBL thereby impacting its operating capabilities.

## Rating Sensitivities

- Timely project execution as per schedule
- Improvement in operating performance while maintaining profitability margins

## Material Covenants

None

## Liquidity Position: Adequate

SRSBL's liquidity is supported by adequate cash inflows reflected from healthy bookings of completed and on-going projects along with the execution of infrastructure order book. The company has received Rs.66.36 crore in the form of customer advances from both the project, which is ~85 percent of the total expected customer advance. The two projects will be completed in December, 2020 and June, 2022, respectively. The company has repaid the all debt obligation in FY2020 for both of the project. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash inflows and no major repayments over the medium term.

## Outlook: Stable

Acuité believes that SRSPL will maintain a 'Stable' outlook over the medium term on account of its experienced promoter in the industry and diversified business risk profile. The outlook may be revised to 'Positive' in case the company achieves project and expected order book execution as per schedule along significantly higher than expected customer advances. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances, unsold inventory or in case of delay in project execution.

## About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	70.79	35.89
PAT	Rs. Cr.	0.55	0.95
PAT Margin	(%)	0.78	2.64
Total Debt/Tangible Net Worth	Times	3.02	3.01
PBDIT/Interest	Times	3.62	4.91

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

Not Applicable

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Real Estate Sector - <https://www.acuite.in/view-rating-criteria-63.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-June-2019	Term loans	Long Term	20.00	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- /Stable (Reaffirmed)
	Bank guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB- /Stable (Assigned)
10-June-2018	Term loans	Long Term	20.00	ACUITE BBB- /Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB- /Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB- /Stable (Assigned)
	Bank guarantee	Short Term	3.00	ACUITE A3 (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 loans	Not Available	Not Applicable	Not Available	20.00	ACUITE BBB- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE BBB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	22.65	ACUITE BBB- / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A3 (Assigned)

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### About Acuité Ratings & Research:

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