

Press Release

Splendor Landbase Limited

March 17, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Short Term Rating	ACUITE BB /Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 18.00 crore bank facilities of Splendor Landbase Limited (SLL). The outlook is '**Stable**'.

New Delhi-based, Splendor Landbase Limited (SLL) was incorporated in 2002 by Mr. Hridey Vikram. SLL is engaged in construction of residential and commercial buildings. Currently, there are 3 ongoing projects comprising of commercial building, residential and plotting activity. Company is currently executing housing projects in Panipat and Amritsar and commercial project in Gurugram. Company's majority of project are based in Haryana, Punjab and Delhi-NCR.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SLL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

New Delhi-based Splendor Landbase Limited (SLL), founded by Mr. Hridey Vikram who possess an experience of almost two decades in infrastructure and real estate industry. SLL is the flagship company of Splendor Group who has a presence of almost two decades in real estate and infrastructure industry and having extensive experience in Property Management & Development in the region of Delhi, Punjab and Haryana. The company has successfully delivered 3 projects till date. Company have designed, developed and constructed over 40,00,000 sq. ft. of commercial space.

Weaknesses

- **High salability and execution risk**

SLL has three ongoing residential projects and one commercial project. The Company is currently executing housing projects in Panipat and Amritsar and commercial project in Gurugram. The project 'Splendor Grande' a housing project located in Panipat was started in 2014 and is divided into two phases; Phase-I includes 2 high rise tower with total of 162 units and Phase-II has 34 blocks with 136 units. The total cost of the project is estimated at ~Rs. 332.04 crore for both the Phases. The total saleable area stood at 12,50,640 sq. ft. where in Phase 1 the saleable area is 5,14,410 sq. ft. and Phase – II at 7,36,230 sq. ft. However, since the project has been commenced since 2014, the project has been completed ~41.52 percent on 31st December, 2019. Phase 1 is expected to be completed by 31 March, 2022. However, the sales traction has remained slow vis-à-vis pace of construction. The company has been able to sale total of 143 units as on 31 December 2019 amounting to Rs.74.63 crore and the customer advance received is around Rs.30.22 crore (23 per cent of total customer advances expected from the project).

The project 'Splendor Epitome' a commercial project based in Gurugram was started in 2016 for which all of required clearances have already been done. With a 2-level basement, 3 levels of multilevel car parking, and 9 floors of office space, the company have a total salable area of 3,70,000 sq. ft. Total cost of the project is Rs.195.77 crore. However, since the project has been commenced since 2016, the project has been completed ~45 percent on 31st December, 2019. Eptiome is expected to be completed by 31 December, 2021. However, the sales traction has remained slow vis-à-vis pace of construction. The company has been able to sale total of 96 units as on 31 December

2019 amounting to Rs.83.39 crore and the customer advance received is around Rs.51.51 crore (~30 per cent of total customer advances expected from the project).

The project 'Splendor Aerocity' a housing township project based in Amritsar was started in 2007 for which all of required clearances have already been done. With a total area of 151.445 acre of land, the project is of 1260 units with total salable area of 35,82,000 Sq. ft. total cost of the project is Rs.270.04 crore. However, since the project has been commenced since 2007, the project has been completed ~32 percent on 31st December, 2019. Aerocity is expected to be completed by 31 March, 2024. However, the sales traction has remained slow vis-à-vis pace of construction. The company has been able to sale total of only 74 units as on 31 December 2019 amounting to Rs.21.38 crore and the customer advance received is around Rs.0.66 crore (~1 per cent of total customer advances expected from the project).

Acuité draws comfort from the company's ability to construct the projects majorly on equity leading to very low reliance over external borrowing for these projects. Of total project amounted to ~Rs.780 crore, the company plans only to term loan of Rs.18 crore. Further, the company's ability to complete the project on the timely manner while traction in sales thereby leading to lower reliance on external borrowing will remain a key monitorable.

- **Susceptibility to Real Estate cyclical and regulatory risks**

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 in nature of business (drop in property prices) and interest rate risk, among others which could affect the operations. Company 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. However the company have less external borrowing which will mitigate the risk of high borrowing costs.

Outlook: Stable

Acuité believes that SLL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its 'extensive experience of promoters' 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 the customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's liquidity position on account of delays in project execution or lower than expected sales traction towards these projects.

Material Covenant

None

Rating sensitivity

- Timely execution of all the projects.
- Regular cash inflow in form of customers advances.

Liquidity position: Adequate

SLL's liquidity is supported by moderate cash inflows reflected from moderate advances from customers as a part of total expected advances from the projects. The total project cost stood at Rs.780 crore as against total advances from customer of Rs.90.58 crore as on 31 December 2019. The company has received a total of Rs.90.58 crore in the form of customer advances from all the ongoing projects which is ~17.00 percent of the total expected customer advance from all the ongoing projects. As of now all the ongoing projects are only funded by the customer's advances and equity. However, the company is in plan to avail term loan for these projects. The existing term loan on completed projects has an outstanding balance of Rs.66.68 crore and the repayments will be served from the rentals received in these projects. Any delay in launching the project or lower than expected cash realization from flat booking will result in stretched liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	76.22	72.35
PAT	Rs. Cr.	0.64	0.40
PAT Margin	(%)	0.85	0.55
Total Debt/Tangible Net Worth	Times	0.48	0.48
PBDIT/Interest	Times	1.14	1.16

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities - <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/criteria-complexity-levels.htm>

Rating History (Up to 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 bank facility	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BB/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in	

About Acuité Ratings & Research:

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