

## Press Release

### S V Complexes LLP

May 10, 2023



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	120.00	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	120.00	-	-

### Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE BBB-' (read as ACUITE Triple B Minus)** on the Rs. 120.00 Cr bank facilities of SV COMPLEXES LLP (SVCL). The outlook is **'Stable'**.

#### Rationale for reaffirmation:

The rating reaffirmed takes into account healthy sales traction, healthy collection of receivables, Timely funding support from the promoters for the project construction. SVCL has achieved 55 percent physical progress and reported sales of Rs.523.26Cr as on February 28, 2023 which is 8,80,265 Sq. ft, mitigating demand risk to some extent. The project is expected to be completed by December, 2025. These strengths are partially constrained by SVCL's exposure to market risk, time and cost overruns which may result in cash flow mismatches.

### About the Company

Established in August 2012, SV COMPLEXES LLP is a Hyderabad (Telangana) based commercial and residential real estate developer, promoted by Mr. Vijay Kumar Yerram along with other 11 partners. SVCL is a special purpose vehicle (SPV) formed by Vasavi Group. SVCL is presently developing a commercial project (under the name of 'VASAVI SKY CITY') at Gachibowli, Hyderabad, Telangana with a total saleable area of 27.65 lakh square feet to construct 625 units. Of this, SVCL's share consists of 16.48 lakh square feet consisting of 342 units. The total developer saleable area of the aforesaid projects is 16.48 lakh square feet with a total project cost of ~Rs.759.90 Cr and is expected to be completed by December 2024. It is expected to be funded through 16 percent of debt and promoter contribution 17 percent and remaining 67 percent through customer advances.

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SVCL to arrive at the rating.

### Key Rating Drivers

## Strengths

### **Group support & Favorable location are enhancing the marketability of the ongoing project:**

The Vasavi group is promoted by Mr. Vijay Kumar Yerram who has more than 2 decades of experience as a real estate developer through various projects executed under the group. The Vasavi group has a well established brand name in Hyderabad and has completed more than 6 million square feet of residential and commercial projects. The project is located strategically in the prime location in Gachibowli, Hyderabad, a prominent IT office hub with a well-developed social infrastructure, which enhances the marketability of the project. SVCL has completed 55 percent construction of project and incurred as on February 28, 2023 and made sales worth Rs.523.26Cr. The promoters have brought in Rs.112.51Cr as on February, 2023.

Acuité believes that the promoters' experience in the real estate industry and improving demand for the commercial units in Hyderabad area are expected to support in successful sale of the units, and timely completion of the project.

### **Healthy Sales traction reducing demand risk to an extent:**

As on February 28, 2023 SVCL has completed 55 percent of the physical construction and made sales of Rs.523.26Cr against Rs.430.92Cr as on March 31, 2022. The funds for the project are mainly contributed by advance from the customers and Promoters contribution. Bank debt constitutes only 15 percent for the project funding. SVCL has sold 32 units worth Rs.107.98Cr during the past 6 months ending March 31, 2023. This depicts healthy sales traction during the past 6 months.

## Weaknesses

### **Geographical concentration risk and intense competition in the industry**

The group through its promoter companies has mostly executed its past projects Hyderabad only. Moreover, the group is executing all the current projects in Hyderabad. The group would remain geographically concentrated until any further diversification to a different state. The real estate industry in India is highly fragmented with most of the real estate developers. Furthermore, the group would continue to remain exposed to intense competition from the major players in Telangana, and the risks associated with the real estate industry are cyclical in nature of business (drop in property prices), and interest rate risk, among others, which could affect the operations.

## Rating Sensitivities

- Lower than expected sales traction leading to increased dependence on debt
- Sharp decline in cash flow, by slackened salability of project or delays in project execution
- Weakening of the financial risk profile due to higher-than-expected borrowing

## Material covenants

None

## Liquidity Position: Adequate

SVCL has adequate liquidity marked by moderate customer advances to meet the debt obligations. The company is mainly dependent on the Customer advances and promoters' contribution for funding of the project. Bank debt constitutes only 15 percent of the project

cost. The company is expected to continue generating healthy surplus cash flows from its unsold inventory in the near to medium term.

### Outlook: Stable

Acuité believes that the SVCL will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	87.46	16.85
PAT	Rs. Cr.	2.56	0.88
PAT Margin	(%)	2.93	5.21
Total Debt/Tangible Net Worth	Times	0.42	0.51
PBDIT/Interest	Times	9.45	18.77

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Feb 2022	Proposed Long Term Loan	Long Term	110.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Loan	Long Term	10.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	22.12	ACUITE BBB-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	40.66	ACUITE BBB-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.22	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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