

Press Release

Shivakar Developers Private Limited

December 30, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	50.00	ACUITE C Assigned Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has converted the provisional rating and assigned the final long-term rating of **'ACUITE C' (read as ACUITE C)** to the Rs. 50.00 crore Non-Convertible Debentures of SHIVAKAR DEVELOPERS PRIVATE LIMITED.

Acuite has converted the previously assigned provisional rating to final rating on receipt of the following documents:

1. **Final Term Sheet**
2. **Debenture Trust Deed (DTD)**

About the Company

Incorporated in 2008, Bangalore-based Shivakar Developers Private Limited is engaged in carrying out the business of development and construction of residential and commercial projects. The company is headed by Mr. Bilidale Madaiah Jayeshankar, Ms. Sudha Shankerv and Mr. Bangalore Visweswara Ravi Kumar. Currently, the company is undertaking a project of Halanayakanahalli Plotting and Apartment having total area of 10.04 lac square feet .

About the Group

Established in 1988, by Mr. BM Jayeshankar and Mr. BM Karunesh, Adarsh Developers (AD) is a partnership firm engaged in carrying out the business of development and construction of residential and commercial projects. AD is the flagship as well as holding company of the Adarsh Group. Further, the group has ventured into hospitality business also. The firm has infused funds in the form of unsecured loans in all its SPVs and also given corporate guarantee to them. Currently, the firm has a total land bank of around 1000 acre (most are in Bangalore and Karnataka and some are in Chennai, Tamilnadu, Kerala and Goa).

Adarsh Group has completed residential and commercial projects totalling over 12 mn. sq.ft. including 1.2 mn sq ft SEZ. Presently, they have 8-10 ongoing projects.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of Shivakar Developers Private Limited (SDPL) for arriving at this rating.

Key Rating Drivers

Strengths

Experienced management and long operational track record

The directors of the company Mr. Bilidale Madaiah Jayeshankar and Mr. Bangalore Visweswara Ravikumar are highly experienced and actively involved in the operations of the company. In addition to this, the parent, Adarsh Group has a long operational track record in the real estate industry for more than three decades. Acuité believes that the promoter's extensive understanding and expertise and long operational track record of the group will support the group's growth plans going forward.

Weaknesses

Delay in debt servicing

The company has outstanding debt amounting to Rs. 12.17 Cr. Acuité observes that there are regular delays in servicing their borrowings due to a poor liquidity position. Timely servicing of their debt obligations would be a key monitorable.

Below average financial risk profile

The financial profile of the company is below average marked by modest networth, high gearing and weak debt protection metrics. The tangible net worth of the company is increased to Rs.11.40 Cr as on March 31, 2022 from Rs.10.10 Cr as on March 31, 2021 due to accretion of reserves. Gearing of the company stood high at 5.39 times as on March 31, 2022 as against 6.12 times as on March 31, 2021. The weak debt protection metrics of the company is marked by Debt Service Coverage Ratio at 0.33 times as on March 31, 2022. Acuité believes that financial risk profile of the company is expected to be improved over the medium term.

Exposure to the risks in the Real Estate Industry

The business 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 developers' ability to reduce prices.

ESG Factors Relevant for Rating

Environment: The inherent material risk to this industry includes releasing toxic greenhouse gases and delivering a green building structure by utilizing clean technology. Additionally, material efficiency is of utmost importance as it creates a concrete foundation. Furthermore, waste disposal and promotion of energy efficient alternatives are other key issues.

Social: Employee health & safety management is of primary importance to the construction industry given the nature of operations. Additionally, product quality and safety is of utmost significance. Human rights concerns such as forced labour are crucial considering the exploitative industry practices. Furthermore, responsible procurement and community relations are key influencing factors.

Governance: Factors such as ethical business practices, legal and regulatory compliance hold utmost significance in the construction industry, considering the frequency of litigations. Other issues include management compensation and Board oversight. Likewise, corruption and bribery associated with getting licenses and permits are other material issues to the industry.

Rating Sensitivities

- Timely payment of debt obligations
- Scheduled commencement and completion of project
- Timely receipt of customer advances
- Improvement in financial risk profile

Material covenants

None

Liquidity Position: Poor

Poor

The company's liquidity is poor marked by its delay in existing debt repayment. Further, the company is yet to launch both the projects. However, the company has high cash and bank balances of the company, which stood at Rs.15.31Cr as on March 31, 2022 as compared to Rs.20.30 Cr as on March 31, 2021 and current ratio of 2.43 times as on March 31, 2022 as compared to 5.46 times as on March 31, 2021. Acuite draws comfort from the promoter's regular fund infusion into the business. Acuite believes that going forward the company's liquidity position will improve in the near to medium term post the successful issue of the proposed NCD and on account of presence of escrow accounts to ensure timely repayment upon stabilization of operations.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	5.50	14.19
PAT	Rs. Cr.	1.30	(4.00)
PAT Margin	(%)	23.69	(28.18)
Total Debt/Tangible Net Worth	Times	5.39	6.12
PBDIT/Interest	Times	6516.50	(2009.91)

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Dec 2022	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional C (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	50.00	ACUITE C Assigned Provisional To Final

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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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