



Press Release
SHIVAKAR DEVELOPERS PRIVATE LIMITED
December 26, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	50.00	ACUITE B- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE C**' (read as **ACUITE C**) to the Rs. 50.00 crore Non-Convertible Debentures (NCDs) of SHIVAKAR DEVELOPERS PRIVATE LIMITED. The outlook is '**Stable**'.

Rationale for Upgrade

The rating is upgraded on account of curing of the delays in earlier debt obligations of Axis RERA Opportunities Fund I, which have since been fully redeemed in May 2023 and No Due Certificate (NDC) for the same has been received from the respective Trusteeship. The rating also derives comforts from the timely repayment of coupons of the currently rated NCDs of Rs. 50 Cr. The rating also factors the experience of the promoter in real estate development, favourable project location and the support extended by the promoters through regular infusion of funds in the form of cash flow from other group companies. However, the rating is constrained by the poor liquidity and the weak financial risk profile. The Company has delayed the construction of the projects and also has exposure in the form of loans and advances towards its group companies which further impacts the liquidity profile of the Company.

About the Company

Established in 2008, Shivakar Developers Private Limited, headquartered in Bangalore, specializes in executing residential and commercial construction projects. The leadership comprises Mr. Bilidale Madaiah Jayeshankar, Ms. Sudha Shankerv, and Mr. Bangalore Visweswara Ravi Kumar. Presently, the company is involved in a development venture encompassing Halanayakanahalli Plotting and Apartment, covering a total area of 10.17 lac square feet.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 company's growth plans going forward.

Curing of the delays in earlier debt obligations

The company had an outstanding fund amounting from Axis RERA Opportunities Fund I. There were delays in coupon and principal repayment of funds from Axis RERA Opportunities Fund I upto FY2023. The outstanding as on March 31, 2023 was Rs. 23 Cr. The funds have since been redeemed in May 2023 and NDC for the same has been received from Trusteeship. As on November 2023, there are no outstanding on the same.

Weaknesses

Below average financial risk profile

The company's below average financial risk profile is marked by modest networth, high gearing and weak debt protection metrics. The tangible net worth of the company decreased to Rs.8.68 Cr as on March 31, 2023 from Rs.11.40 Cr as on March 31, 2022 on account of accumulated losses. Gearing of the company stood high at 9.05 times as on March 31, 2023. The weak debt protection metrics of the company is marked by negative Debt Service Coverage Ratio as well as Interest Coverage Ratio(ICR) on March 31, 2023. Acuité believes of the company that financial risk profile is expected to be improving 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.

Rating Sensitivities

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

All Covenants

None

Liquidity Position

Poor

The company's liquidity is poor marked by the negative cash accruals. However, the company has high cash and bank balances of the company, which stood at Rs.25.03 Cr as on March 31, 2023 as compared to Rs.15.31Cr as on March 31, 2022 and current ratio of 2.32 times as on March 31, 2023 as compared to 2.43 times as on March 31, 2022. Acuité draws comfort from the fund infusion into the business through its group companies. The fund proceeds of NCDs were utilised to meet the refinancing the debt of other group company's loans, and towards group company projects in the form loans and advances given. The balance amount Rs. 2.55 Cr as on 2, November 2023 is lying unutilised in the debenture account. Acuité believes that going forward the company's liquidity position will improve in the near to medium term on account of presence of escrow accounts to ensure timely repayment upon stabilization of business.

Outlook: Stable

Acuité believes that the outlook on SDPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, and financial flexibility. The outlook may be revised to 'Positive' in case the company makes substantial progress on the bookings over the medium term alongwith timely execution of projects.

Conversely, the outlook may be revised to 'Negative' in case there is significant drop in bookings or any deterioration of financial risk profile leading to pressure on liquidity.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	7.76	5.50
PAT	Rs. Cr.	(2.71)	1.30
PAT Margin	(%)	(34.95)	23.69
Total Debt/Tangible Net Worth	Times	9.05	5.39
PBDIT/Interest	Times	(3.43)	6516.50

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

Not Applicable

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, Acuite 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
30 Dec 2022	Non Convertible Debentures	Long Term	50.00	ACUITE C (Assigned)
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	INE0AJM07021	Non-Convertible Debentures (NCD)	30 Dec 2022	20.75	05 Dec 2027	Simple	50.00	ACUITE B- Stable Upgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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