

Press Release

SPR Buildtech Limited (SPR)

March 04, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.13.20 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating to '**SMERA B+ (read as SMERA B plus)**' and short term rating to '**SMERA A4 (read as SMERA A four)**' on the abovementioned bank facilities of SPR Buildtech Limited (SPR). The outlook is '**Stable**'.

SPR, incorporated on January, 2016, is a real estate developer promoted by a group of first-generation entrepreneurs. The company is headed by Mr. Sanjeev Saluja and Mr. Sudesh Gupta and is developing a seven-tower residential complex in Faridabad, Haryana.

The rating reaffirmation factors in the project specific risk (off take risk), low level of advances and intense competition from other projects in the vicinity. The rating remains constrained on account of subdued economic environment in the real estate sector. However, the rating continues to be supported by the extensive experience of the management and successfully completion of past projects (Phase I and Phase II).

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and second line of management: SPR Buildtech Limited (SPR) was incorporated in 2006 by Mr. Sanjeev Saluja and Mr. Sudesh Gupta (Directors) who possess long standing experience of more than a decade in the real estate industry.

Advanced stage of construction: The Phase III of Imperial Estate is in an advanced stage of construction with more than ~70 percent construction of the project work completed. Further, the company has registered 100 per cent bookings in its past projects. However, the execution and successful sale of flats of Phase III would be a key rating factor as any kind of delay would impinge the future cash flows of the company.

Weaknesses:

Competition and slowdown in the real estate sector: The company is exposed to intense completion in the real estate sector.

Low level of bookings and low advances in Phase III: SMERA notes that the company is exposed to off-take risk as it has received low bookings (~7.21 percent of the total area) against which the company has received advances of Rs.1.62 crore till Jan 2017. Any delay in project completion and execution is expected to impinge upon future cash flows.

Analytical approach: The team has considered standalone approach towards financial and business risk profiles of the company

Applicable Criteria

- Infrastructure Entities: <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SPR will maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' if the company generates steady cash flows from timely receipt of customer advances and successful sale of flats. Conversely, the outlook may be revised to 'Negative' in case of liquidity pressures arising from delays in project execution and receipt of customer advances in upcoming projects.

About the Project

Imperial Estate is a seven-tower residential complex in Faridabad, Haryana divided into three phases and spread over 10.25 acres. While SPR has already completed construction of the first two phases, the construction of the third began in December 2015. The total cost of the third phase is Rs.35.36 cr expected to be funded through capital of Rs.3.00 cr, unsecured loan of Rs. 11.19 cr, term loan of Rs.11.50 cr and customer advances of Rs.12.36 cr.

About the Rated Entity

SPR, incorporated on January, 2016, is a real estate construction company promoted by Mr. Sanjeev Saluja and Mr. Sudesh Gupta. Development of a seven-tower residential complex is underway at Faridabad, Haryana.

The net worth of the company stood at Rs.20.66 cr as on March 31, 2016 (included quasi equity of Rs.11.19 cr) against Rs.20.34 cr (included quasi equity of Rs.11.10 cr) a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017 (Current)			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	L T	11.50	SMERA B+/Stable (Reaffirmed)	-	-	-	-	-	-
Cash Credit	LT	-	-	-	-	23 Feb, 2015	SMERA BB/Stable (Suspended)	29 Nov, 2013	SMERA BB/Stable (Assigned)
Bank Guarantee	S T	1.67	SMERA A4 (Reaffirmed)	-	-	23 Feb, 2015	SMERA A4+ (Suspended)	29 Nov, 2013	SMERA A4+ (Assigned)
Cash Credit (Proposed)	LT	-	-	-	-	23 Feb, 2015	SMERA BB/Stable (Suspended)	29 Nov, 2013	SMERA BB/Stable (Assigned)
(Proposed Long Term)	LT	0.03	SMERA B+/Stable (Reaffirmed)	10 Feb, 2016	SMERA B+/Stable (Suspension revoked, Rating Assigned)	-	-	-	-
Bank Guarantee (Proposed)	ST	-	-	10 Feb, 2016	SMERA A4 (Suspension revoked, Rating Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	June, 2019	11.50	SMERA B+ /Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	1.67	SMERA A4 (Reaffirmed)
Proposed Long Term	N.A	N.A	N.A	0.03	SMERA B+ /Stable (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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