November 30, 2022

Srijan Realty Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – fund-based term loan	40.70	33.93	[ICRA]A- (Stable); Reaffirmed
Long-term – overdraft	42.60	64.39	[ICRA]A- (Stable); Reaffirmed
Long-term – unallocated	66.70	51.68	[ICRA]A- (Stable); Reaffirmed
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for Srijan Realty Private Limited (SRPL) factors in the healthy sales and collections of the Srijan Group in FY2022 and sustenance of the same in FY2023, on the back of adequate sales in new launches as well as ongoing projects. The Group recorded sales and collections of Rs. 872 crore and Rs. 731 crore in FY2022 (as per provisional figures), higher by 8% and 20%, respectively, on a YoY basis. The cumulative sales across all projects remained healthy at 84% of the total launched area as of July 2022. The cash flow cover[1] remained healthy at 67% as of July 2022. Thus, SRPL's leverage is expected to remain comfortable measured by Debt/CFO of around 1.3-1.5 times as of March 2023 (PY: 1.3 times). As of September 2022, around 61% of the Group's external debt of Rs. 379 crore comprised lease rental discounting (LRD) loans, against lease rentals from a commercial portfolio of around 0.8 million square feet (msf), generating an annual rental of around Rs. 42 crore p.a. The rating continues to draw comfort from the established market position of the Srijan Group, with a track record of around 18 years in the real estate industry, with presence in and around Kolkata in Eastern India and Chennai, Coimbatore in the South. The rating notes the fully paid-up land bank of the Group, which provides financial flexibility and strong project execution capabilities.

The rating, however, remains constrained by the high concentration of the Group's operations, which are primarily confined in one city, i.e. Kolkata and its surrounding areas, thereby exposing it to fluctuations in a single market's performance. The intermediate stage of several ongoing projects, together with significant planned launch of around 12 msf over the near to medium term, exposes the Group to execution and market risks. Nevertheless, the Group's past track record mitigates the risks to an extent. The Group proposes significant investments towards purchase of incremental land in the current fiscal, to be funded by its existing cash balances and internal accruals.

ICRA believes that the company's credit profile will remain Stable, driven by steady cash flows from the ongoing projects, given the high level of committed receivables and adequate collection efficiency. The rental-yielding portfolio imparts stability to its cash flows.

Key rating drivers and their description

Credit strengths

Established real estate developer with long track record and strong market position in Eastern India – The Srijan Group has an established track record in the real sector in eastern India, particularly in and around Kolkata (comprising residential and commercial developments). The Group undertakes most projects in partnership with other reputed developers, such as PS,

[1]*Adequacy of Committed Cash Flows = (Receivables from Sold Area) / (Pending Cost + Debt Outstanding)*

Salarpuria and Sattva, Primarc, among others, which enables the Group to distribute project risks and reap benefits from the synergies that the developers share. However, ICRA notes that with growing scale and financial capability, the Group intends to increasingly take up projects individually going forward.

Healthy booking levels and collections in most projects results in adequate cash flow – The Group recorded sales and collections of Rs. 872 crore and Rs. 731 crore in FY2022 (as per provisional figures), higher by 8% and 20%, respectively, on a YoY basis. The sales and collections are expected to sustain at healthy levels in FY2023 on the back of adequate sales in new launches as well as the ongoing projects. At present, the Group is undertaking 18 ongoing projects, mostly in partnership with other developers, having a total saleable area of 14.4 msf, of which 12.7 msf has been launched for sale. The cumulative sales levels across these projects remained healthy at 84% of the launched area as of July 2022. The cash flow cover remained healthy at 67% as of July 2022.

Low leverage in ongoing projects – SRPL's leverage is expected to remain comfortable, as measured by Debt/CFO of around 1.3-1.5 times as of March 2023 (PY: 1.3 times). As of September 2022, around 61% of the Group's external debt of Rs. 379 crore comprised LRD loans. The Group has a considerable fully paid-up land bank, which provides financial flexibility and strong project execution capabilities.

Rental income from favourably located commercial properties supports cash flows – The Srijan Group's commercial real estate portfolio comprises 0.8 msf of leasable area spread across five properties, of which three are in Kolkata, one is in Asansol and one in Chennai, generating an annual rental of around Rs. 42 crore p.a.

Credit challenges

Significant upcoming project pipeline, results in exposure to execution and market risks – The intermediate stage of several ongoing projects, together with significant planned launch of around 12 msf over the near to medium term, exposes the Group to execution and market risks, although the Group's past track record mitigates the risks to an extent.

High concentration of operations in Kolkata exposing the entity to fluctuations in a single market's performance – Of the approximately 14.4 msf being constructed by the Srijan Group at present, around 93% is being developed in and around Kolkata, exposing the Group to geographical concentration risks. However, ICRA notes that the projects are diverse in terms of the targeted end-user segments. The Group is gradually expanding into other geographies, such as South India and has undertaken two projects in the south at present, in partnership with PS and Salarpuria. However, the sales levels for these projects have been modest thus far, relative to the Group's other ongoing projects.

Exposure to cyclicality inherent in real estate business – The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure because of the presence of a large number of regional players. Being a cyclical industry, real estate is highly dependent on macro-economic factors. This, in turn, makes the company's sales vulnerable to any downturn in real estate demand and competition within the region from various established developers.

Liquidity position: Adequate

The liquidity is adequate with unencumbered cash and liquid balances of around Rs. 68 crore and undrawn limits of around Rs. 63 crore (at standalone SRPL level) as on September 30, 2022. The Group's liquidity profile is supported by healthy committed receivables from the sold area. Debt repayments for construction loans are primarily linked to the project's collections and scheduled repayments remain limited over the near term due to the ongoing pre-payments. Moreover, the Group maintains a DSRA of around one month of principal and interest servicing on the LRD loans.

Rating sensitivities

Positive factors – The rating may be revised if there is a significant increase in scale and collections, resulting in an improvement in the cash flows, while maintaining low leverage and healthy liquidity on a sustained basis. Increased geographical diversity would also be a key credit positive.

Negative factors – Negative pressure on the rating could arise in case of slowdown in project execution or collections resulting in deterioration in the Group's financial risk profile, leading to increased debt levels. Further, any large debt-funded investments in land bank or other capital expenditure may also impact the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities Rating Approach- Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has consolidated the cash flows of SRPL along with its operational Group entities having ongoing projects and/or outstanding debt (as mentioned in Annexure-II), given the close business, financial and managerial linkages among them; in line with its methodology for rating real estate entities, the Srijan Group's share of the cash flows across various Group companies have been consolidated.

About the company

The Srijan Group, which undertakes commercial, industrial, retail, as well as residential real estate projects in East and South India, was founded by Sri Shyam Sunder Agarwal, Sri Ram Naresh Agarwal and their two brothers. Srijan Realty Pvt Ltd, incorporated in 1996, is the flagship company of the Group.

Key financial indicators

Standalone	FY2021	FY2022*
Operating income	116.6	97.2
PAT	19.9	21.3
OPBDIT/OI	22.4%	23.7%
PAT/OI	17.1%	21.9%
Total outside liabilities/Tangible net worth (times)	1.13	1.15
Total debt/OPBDIT (times)	8.5	9.5
Interest coverage (times)	1.75	1.55

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore. *Provisional; all ratios as per ICRA's calculations*

Status of non-cooperation with previous CRA: CRISIL B/STABLE (ISSUER NOT COOPERATING) as per the rating rationale dated June 15, 2022

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2022 (Rs. crore)	Date & Rating in 30-Nov-22	Date & Rating in FY2022 6-Aug-21	Date & Rating in FY2021 20-Jul-20	Date & Rating in FY2020 7-Oct-19	25-Jul-19	15-Jul-19
1	**Long term – fund-based term loan**	Long-term	33.93	11.94	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2	**Long-term – overdraft**	Long-term	64.39	29.75	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
3	**Long-term – unallocated**	Long-term	51.68	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
4	**Issuer Rating**	Long Term	NA	NA				[ICRA]A-(Stable) Withdrawn	[ICRA]A-(Stable); Placed on Notice of Withdrawal for a period of 1 month	[ICRA]A-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – fund-based term loan	Simple
Long-term – overdraft	Simple
Long-term – unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term – fund-based term loan	Mar-16 to Mar-21	NA	Feb-20 to Mar-31	33.93	[ICRA]A- (Stable)
NA	Long-term – overdraft	NA	NA	NA	64.39	[ICRA]A- (Stable)
NA	Long-term – unallocated	NA	NA	NA	51.68	[ICRA]A- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach
Srijan Realty Private Limited	100%	Full Consolidation
Srijan Residency LLP	100%	Full Consolidation
Sky View Developers	37.5%	Proportional Consolidation
Trinity Infrapark LLP	33.3%	Proportional Consolidation
PS Srijan Real Venture LLP	50%	Proportional Consolidation
Greenfield City Project LLP	50%	Proportional Consolidation
Badu Road Developers LLP	37.5%	Proportional Consolidation
Neelanchal Realtors LLP	15%	Proportional Consolidation
PS Srijan Developers LLP	45%	Proportional Consolidation
PS Srijan Height Developers	50%	Proportional Consolidation
Reproscan Tech Park LLP	50%	Proportional Consolidation
SouthWind Project LLP	37.5%	Proportional Consolidation
Srijan Star Realty LLP	75%	Proportional Consolidation
PS Srijan Estates LLP	29.6%	Proportional Consolidation
PS Srijan Enclave	50%	Proportional Consolidation
Raghabpur Projects LLP	75%	Proportional Consolidation
Hazelton High Rise LLP	19.3%	Proportional Consolidation
SRPM Haat LLP	50%	Proportional Consolidation
Zen Promoters LLP	33.3%	Proportional Consolidation
Srijan Super Facilities LLP	55%	Proportional Consolidation
Metiabruz Retail and Warehousing LLP	50%	Proportional Consolidation

Source: Company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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