November 21, 2023

S.E. Builders and Realtors Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	200.00	75.00	[ICRA] BBB+ (Stable); reaffirmed
Total	**200.00**	**75.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for S.E. Builders and Realtors Limited (SEBRL) factors in the healthy sales and adequate collections from the completed phases of the project, along with sustenance of low external debt levels, which are expected to result in comfortable debt protection metrics. SEBRL's area sold remains healthy at around 99% of the total launched area of 19.5 lakh square feet (lsf) till August 2023 leading to healthy committed receivables of Rs. 63 crore. Against this, the company has nil pending cost to be incurred and nil debt outstanding as of August 2023 (Rs. 112-crore committed receivables and Rs. 37.7 crore of debt outstanding as of March 2023). The receivables from the completed phase can fund nearly 15% of the cost for phase-V of the project, which is scheduled to be launched in Q4 FY2024. SEBRL's collections have remained adequate at around Rs. 134 crore in FY2023 and are likely to largely sustain in FY2024. With the expected external debt to sustain at low levels as of March 2024 and adequate cash flow from operations, the leverage and debt coverage metrics are likely to be comfortable in FY2024. The rating continues to factor in the long and established track record of the Ambuja Neotia Group, the promoter group, in Kolkata. The Group has delivered more than 200 lsf of area comprising residential and commercial spaces and hospitality projects through various joint venture and subsidiary companies over the past two decades. The Group's track record and the attractive location of the project, with good connectivity and presence of adequate social infrastructure in the vicinity, has supported the project's saleability.

The rating is, however, constrained by the company's exposure to marketing and execution risks for the upcoming phase of the project, i.e., phase-V, which was postponed on account of delays in the project approvals. It is now expected to be launched in Q4 FY2024. The rating is further constrained by SEBRL's exposure to high geographical and project concentration risks due to dependence on a single project in Kolkata, along with cyclical nature of the industry, which in turn renders the company's sales vulnerable to any downturn in demand and competition within the region from various established developers. The sales response for the upcoming phase, the collection trend and the extent of reliance on external debt for completion of the phase will be critical from the credit perspective.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's expectation that the credit profile will be supported by the Group's track record and healthy saleability demonstrated in the launched phases of the project.

Key rating drivers and their description

Credit strengths

Established market position of promoter (Ambuja Neotia Group) – The Ambuja Neotia Group is an established player in the real estate space in eastern India, especially in Kolkata, West Bengal, with a long track record of construction. It has completed more than 200 lsf of development comprising residential and commercial spaces and hospitality projects through various joint venture and subsidiary companies over the past two decades.

Healthy collections and sales from completed projects – SEBRL's area sold remains healthy around 99% of the total launched area of 19.5 lsf till August 2023 leading to healthy committed receivables of Rs. 63 crore. Against this, the company has nil pending cost to be incurred and nil debt outstanding as of August 2023 (Rs. 112-crore committed receivables and Rs. 37.7 crore of debt outstanding as of March 2023). The advances to be received from the completed phase can fund nearly 15% of the cost for phase-V of the project, which is scheduled to be launched in Q4 FY2024. SEBRL's collections have remained adequate at around Rs. 134 crore in FY2023 and are expected to largely sustain in FY2024.

Comfortable leverage and coverage indicators expected in FY2024 – The company currently has nil debt outstanding as it has already completed all of its projects and there is nil pending cost to be incurred. The total debt stood at Rs. 37.7 crore as of March 2023, which has been repaid fully as of September 2023 on account of healthy collections from the completed phases of the project. With the expected external debt to sustain at low levels as of March 2024 and adequate cash flow from operations, the leverage and debt coverage metrics are likely to be comfortable in FY2024.

Credit challenges

Exposure to execution and market risks for upcoming phase of project – The project is exposed to marketing and execution risks for the upcoming phase, i.e., phase-V, having a total saleable area of 7.0 lsf, which was postponed on account of delays in the project approvals. It is now expected to be launched in Q4 FY2024.

Geographical and asset concentration risks – Utalika is a single project undertaken by SEBRL. Thus, the company is exposed to high geographical and project concentration risks due to dependence on a single residential project in Mukundpur, Kolkata. However, the same is mitigated to an extent, given the healthy sales velocity observed in the earlier phases of the project.

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

Liquidity position: Adequate

The company's liquidity position remains adequate, supported by unencumbered cash and bank balance of Rs. 25 crore as of September 2023. Further, it has committed receivables of Rs. 63 crore and has no external debt outstanding as of August 2023.

Rating sensitivities

Positive factors – Significant increase in the scale of operations along with improvement in liquidity, on a sustained basis, while maintaining healthy leverage position may trigger a rating upgrade.

Negative factors – Pressure on the rating could arise if there is a slower sales velocity or collections in the upcoming phase resulting in increased reliance on external debt impacting the company's leverage and liquidity position on a prolonged basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

SEBRL was incorporated in 2011 by the Ambuja-Neotia Group, for developing a mixed-use project named Utalika in Mukundapur, Kolkata. Though a private equity player acquired 40% stake in the project in FY2012, the Ambuja Neotia Group bought back the stake in Q3 FY2018 through its Group company, Ambuja Neotia Holdings Private Limited and Bengal Ambuja Housing Development Limited. Utalika is spread over five launched phases, which includes one LIG/MIG phase and four HIG phases, with each phase consisting of one tower with total saleable area of the project at 19.54 lsf. ICRA notes that the company is expecting to launch the last phase of the project with a total saleable area of ~7.0 lsf by Q4 FY2024.

Key financial indicators (audited)

SEBRL Standalone	FY2022	FY2023
Operating income	277.3	19.5
PAT	57.0	2.4
OPBDIT/OI	28.2%	17.6%
PAT/OI	20.6%	12.3%
Total outside liabilities/Tangible net worth (times)	1.8	2.7
Total debt/OPBDIT (times)	0.4	11.0
Interest coverage (times)	10.3	0.9

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBIDT.
Source: Company annual reports, ICRA Research

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on September 30, 2023	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					November 21, 2023	August 23, 2022	July 30, 2021	October 06, 2020
1	Term loan	Long term	75.0	0.0*	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Negative)

Nil term loan outstanding as on September 30, 2023.

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loan	Simple

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	**Term loan**	September 2017	NA	Sep-24	75.0	[ICRA] BBB+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not applicable

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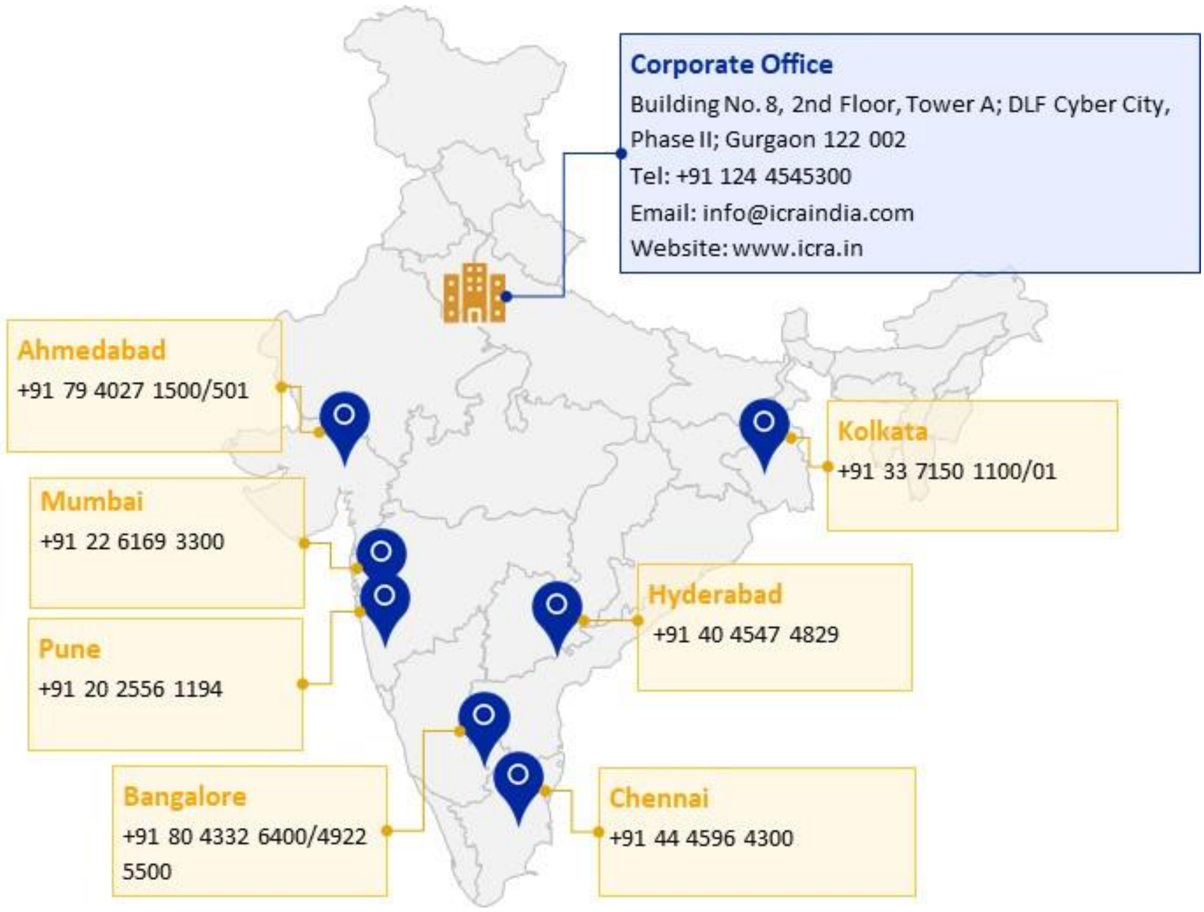

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