

March 08, 2024

Simba Properties LLP: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]BBB (Stable); reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Simba Properties LLP's (SPL) expected healthy growth in collections in FY2024, along with the comfortable debt protection metrics. The sales velocity for two of SPL's projects – Viceroy Savana and the recently launched Viceroy Prive are healthy. The firm has sold 97% of the total area of 2.48 lakh square feet (lsf) in Savana project and 61% of the total area of 1.5 lsf in Prive project as of December 2023, with total committed receivables of Rs. 274 crore, which provides cash flow visibility. The cash flow adequacy ratio¹ for the ongoing projects is healthy at 102% as of December 2023. Its debt is estimated to be low at Rs. 3.8 crore as of March 2024 (PY: Rs. 22.0 crore), which along with an increase in cash flow from operations is likely to result in comfortable debt protection metrics in FY2024. SPL's collections are expected to grow by 35-40% in FY2024 (PY: Rs. 143.7 crore). However, the same is anticipated to decline in FY2025 in absence of any upcoming launches. Majority of the collections from Savana project are estimated to be received till FY2024. The leverage and coverage metrics are expected to remain healthy in FY2024 and FY2025 on account of low debt levels. The rating continues to factor in the favourable location of the projects, Viceroy Savana and Viceroy Prive, in the Kandivali micromarket of Mumbai. The project has good road and rail connectivity with proximity to the Western Express Highway (0.5 km), Magathane metro station (1 km) and Kandivali railway station (5 km). The rating favourably takes into account the experience of the promoter in developing real estate projects in Mumbai.

The rating, however, is constrained by the firm's modest scale of operation and exposure to residual execution and market risks. While the Savana project is expected to be completed by September 2024, the Prive project is in the initial stages of development. The total pending cost for both the projects as of December 2023 is Rs. 264 crore (39% of the budgeted cost). With healthy sales progress achieved in the initial stage of construction, the balance project cost is expected to be primarily funded by customer advances. Timely receipt of these advances will remain critical for meeting the scheduled construction timelines. The firm continues to remain exposed to market risks for the unsold area of 0.65 lsf (16% of total saleable area of both projects). Nonetheless, strong sales in both the projects and adequate demand from the micromarket partly mitigate the market risk. The current Intimation of Disapproval (IOD) for the Prive project is available up to 20th floor and the full IOD is expected to be received in the near term, post completion of the school building by its Joint Development Agreement (JDA) partner under the obligation towards MCGM². The rating also factors in the high geographical and asset concentration risks, and the exposure to the cyclicity inherent in the real estate business.

The Stable outlook reflects ICRA's expectation that SPL will maintain adequate cash flow from operations, comfortable debt protection metrics supported by low debt levels and adequate liquidity position.

¹ Cash flow adequacy ratio is computed as committed receivables/ (pending cost + total debt outstanding)

² Municipal Corporation of Greater Mumbai

Key rating drivers and their description

Credit strengths

Experience of promoters in Mumbai real estate market – The key promoter of the firm, Mr. Cyrus Mody, has an extensive experience in developing real estate projects in Mumbai and was associated with Bombay Real Estate Development Company (BREDCO) for over a decade. BREDCO is the flagship development company of the promoter family and has developed multiple projects in Mumbai over the last four decades.

Favourable location of the project – The project is favourably located at Thakur village, in Kandivali (E), Mumbai. It is conveniently located at a distance of 0.5 km from the Western Express Highway, a major road connecting the western suburbs of Mumbai. Magathane metro station on the recently opened line 7 is located at a distance of 1 km, while the Kandivali railway station is at a distance of 5 km from the project.

Strong sales providing cash flow visibility with limited dependence on debt – The cash flow adequacy ratio³ for the ongoing projects is healthy at 102% as of December 2023. The firm's debt is estimated to be low at Rs. 3.8 crore as of March 2024 (PY: Rs. 22.0 crore), which along with an increase in cash flow from operations is likely to result in comfortable debt protection metrics in FY2024. SPL's collections are expected to grow by 35-40% in FY2024 (PY: Rs. 143.7 crore). However, the same is anticipated to decline in FY2025 in absence of any upcoming launches. Majority of the collections from Savana project are estimated to be received till FY2024. The leverage and coverage metrics are expected to remain healthy in FY2024 and FY2025 on account of low debt levels.

Credit challenges

Modest scale of operations; exposure to execution risk pertaining to ongoing project – SPL's scale of operations remains modest, with currently two ongoing residential projects having a combined carpet area of around 4.0 lsf. While the Savana project is expected to be completed by September 2024, the Prive project is in the initial stages of development. The total pending cost for both the projects as of December 2023 is Rs. 264 crore (39% of the budgeted cost). With healthy sales progress achieved in the initial stage of construction, the balance project cost is likely to be primarily funded by customer advances. Timely receipt of these advances will remain critical for meeting the scheduled construction timelines. The firm continues to remain exposed to market risks for the unsold area of 0.65 lsf (16% of total saleable area of both projects). Nonetheless, strong sales in both the projects and adequate demand from the micromarket partly mitigate the market risk. The current IOD for the Prive project is available up to 20th floor and the full IOD is expected to be received in the near term post completion of the school building by its JDA partner under the obligation towards MCGM⁴.

Geographical and asset concentration risks – The firm is exposed to high geographical and asset concentration risks, with the ongoing as well as upcoming project located in Kandivali, Mumbai. However, the same is mitigated to an extent, given the healthy sales velocity observed in the ongoing project.

Exposure to cyclicity inherent in real estate business – The real estate sector is cyclical and is highly dependent on macro-economic factors. This exposes the firm's sales to any downturn in real estate demand.

³ Cash flow adequacy ratio is computed as committed receivables/ (pending cost + total debt outstanding)

⁴ Municipal Corporation of Greater Mumbai

Liquidity position: Adequate

The firm's liquidity position remains adequate as reflected by cash and bank balances of ~Rs. 42 crore and undrawn dropline OD of Rs. 11 crore as of December 2023. SPL has committed receivables of Rs. 274 crore as of December 2023, which covers the balance cost of Rs. 264 crore (including cost of Rs. 18 crore to be borne by JDA partner) and debt outstanding of Rs. 3.8 crore as of December 2023. The debt obligations can be comfortably met from its cash flow from operations in Q4 FY2024 and FY2025.

Rating sensitivities

Positive factors – The rating may be upgraded if the firm is able to demonstrate a significant increase in scale while maintaining strong collections, low leverage and healthy liquidity position, on a sustained basis.

Negative factors – Significant delays in project execution and/or subdued collections resulting in a considerable increase in reliance on external debt, or any debt-funded investments impacting the firm's financial risk profile, would be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Realty – Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has taken a standalone view of the firm.

About the company

Simba Properties LLP (SPL), a partnership firm incorporated on August 27, 2018, is engaged in real estate development. The firm is promoted by Mr. Cyrus Mody. SPL is constructing a residential project, 'Viceroy Savana', at Kandivali, in Mumbai. It comprises two Towers – Tower A and Tower B. Tower B is a residential complex known as Phase II, and Tower A has two phases – Phase I is a commercial space and Phase III is a residential space. It also started another project – Viceroy Prive – in February 2023.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	0.0	309.9
PAT	-0.1	15.3
OPBDIT/OI	n.m.	7.4%
PAT/OI	n.m.	4.9%
Total outside liabilities/Tangible net worth (times)	7.7	2.8
Total debt/OPBDIT (times)	66.5	1.2
Interest coverage (times)	0.9	-

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore, n.m. - not material

Source: Company data

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 08, 2024	Mar 09, 2023	-	-
1 Issuer rating	Long Term	-	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	NA

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	Issuer rating	NA	NA	NA	-	[ICRA]BBB (Stable)

Source: Company

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

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