June 25, 2024

Srijan Realty Private Limited: Ratings reaffirmed and removed from Non-Cooperating Category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Term Loan	33.93	37.73	[ICRA]A- (Stable); Reaffirmed and removed from ISSUER NOT COOPERATING Category
Long-term – Overdraft Limits	64.39	107.23	[ICRA]A- (Stable); Reaffirmed and removed from ISSUER NOT COOPERATING Category
Long-term – Unallocated Limits	51.68	5.04	[ICRA]A- (Stable); Reaffirmed and removed from ISSUER NOT COOPERATING Category
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 performance for the Group's[1] ongoing projects and new launches in 9M FY2024, which is expected to be sustained in FY2025, supported by continued end-user demand. On a consolidated basis, the Group reported pre-sales of Rs. 824 crore and collections of Rs. 671 crore in 9M FY2024. ICRA expects the collections to remain healthy in the range of Rs. 920-950 crore in FY2024 and FY2025, backed by good sales velocity and healthy construction progress in the ongoing projects. Despite increase in the consolidated debt levels to Rs. 511 crore as of December 2023 from Rs. 345 crore in March 2022, which is expected to further grow to around Rs. 600 crore as of March 2025 largely on account of rise in construction finance debt in new projects, the leverage measured by Gross debt/CFO is estimated to be adequate at ~2.5 times as of March 2024 (1.8 times as of March 2023) and ~3 times as of March 2025. As of December 2023, around 40% of the Group's external debt of Rs. 511 crore comprised lease rental discounting (LRD) loans, which are backed by lease rentals from a commercial portfolio of around 0.8 million square feet (msf), generating an annual rental of around Rs. 43 crore. The cumulative sales across all projects remained healthy at 74% of the total launched area, while the cash flow adequacy ratio (committed receivables/pending cost + outstanding debt) remained adequate at 59% as of December 2023. The rating continues to draw comfort from the established market position of the Srijan Group, with a track record of around 28 years in the real estate industry, with presence in and around Kolkata. The rating notes the fully paid-up land bank of the Group, which provides financial flexibility and strong project execution capabilities.

The ratings, however, are constrained by the exposure to execution and market risks for the Group's ongoing and upcoming projects. As of December 2023, the Group had 26% of area to be sold and 33% of the cost to be incurred for the ongoing projects. The intermediate stage of several ongoing projects, together with significant launch pipeline of around 5.9 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 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. Any significant debt-funded investments in land would be a key monitorable. The Group remains exposed to external factors such as the inherent cyclicality in the real estate industry and regulatory risks.

The Stable outlook on the long-term rating reflects ICRA's opinion that the Group will continue to report healthy sales and collections, supported by good sales velocity and strong launch pipeline, while maintaining adequate leverage metrics.

[1] Group refers to Srijan Realty Private Limited (SRPL) along with its operational group entities having ongoing projects and/or outstanding debt, given their business, financial and managerial linkages.

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 Group, 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, with growing scale and financial capability, the Group intends to increasingly take up projects individually going forward.

Healthy pre-sales and collections in 9M FY2024, performance expected to be sustained – On a consolidated basis, the Group reported pre-sales of Rs. 824 crore and collections of Rs. 671 crore in 9M FY2024. The cumulative sales across all projects remained healthy at 74% of the total launched area, while the cash flow adequacy ratio (committed receivables/pending cost + outstanding debt) remained adequate at 59% as of December 2023. ICRA expects the collections to remain healthy in the range of Rs. 920-950 crore in FY2024 and in FY2025, backed by good sales velocity and healthy construction progress in the ongoing projects.

Adequate leverage position – Despite increase in the consolidated debt levels to Rs. 511 crore as of December 2023 from Rs. 345 crore in March 2022, which is expected to be around Rs. 600 crore as of March 2025 largely on account of rise in construction finance debt in new projects, the leverage measured by Gross debt/CFO is estimated to remain comfortable at ~2.5 times as of March 2024 (1.8 times as of March 2023) and ~3 times as of March 2025. As of December 2023, around 40% of the Group's external debt of Rs. 511 crore comprised LRD loans, which are backed by lease rentals from a commercial portfolio of around 0.8 msf, generating an annual rental of around Rs. 43 crore.

Credit challenges

Exposure to execution and market risks due to significant upcoming project pipeline – As of December 2023, the Group had 26% of area to be sold and 33% of cost to be incurred for the ongoing projects. The intermediate stage of several ongoing projects, together with significant launch pipeline of around 5.9 msf over the near to medium term, exposes the Group to execution and market risks. However, the Group's past track record mitigates the risks to an extent.

Geographically concentrated operations – Of the approximately 18.6 msf of area under execution by the Srijan Group at present, around 95% 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. While it has two projects in South India, the Group does not plan to diversify in new regions in the near term.

Exposure to cyclicality inherent in real estate business – The Group remains vulnerable to the inherent risks of the real estate sector, such as susceptibility to declining property prices, slowdown in economy, reduction in housing demand and regulatory risks. The Group has high dependence on the Kolkata real estate market, which accounts for majority of its total saleable area in its ongoing projects.

Liquidity position: Adequate

The Group's liquidity is expected to remain **adequate** with unencumbered cash and liquid balances of around Rs. 76.3 crore (for projects managed by Srijan), undrawn construction finance limits of around Rs. 64.5 crore (for projects managed by Srijan) towards the ongoing projects as of March 2024 and healthy committed receivables of around Rs. 1,347 crore from the sold area as of December 2023. The scheduled debt repayments for construction finance debt availed for the residential segment and LRD debt against the commercial assets are expected to be adequately met from the cash flow from operations.

Rating sensitivities

Positive factors – The rating may be revised if there is a significant increase in scale and collections, resulting in an improvement in 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 Realty – Commercial/Residential/Retail
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, retail, as well as residential real estate projects in East and South India, was founded by Mr. Shyam Sunder Agarwal, Mr. Ram Naresh Agarwal and their brothers. Srijan Realty Pvt Ltd, incorporated in fiscal 1996, is the flagship company of the Group.

The Group has considerable presence in marketing of real estate projects in eastern India through group company, N. K. Realtors Pvt. Ltd. (NKRPL). NKRPL is among the largest marketing and selling agents of real estate developments in eastern India.

Key financial indicators (audited)

SRPL – Standalone	FY2022	FY2023
Operating income	433.1	19.6
PAT	-3.4	-15.8
OPBDIT/OI	-4.6%	2.7%
PAT/OI	-0.8%	-80.3%
Total outside liabilities/Tangible net worth (times)	1.4	1.9
Total debt/OPBDIT (times)	-10.9	526.9
Interest coverage (times)	-1.2	0.0

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

Status of non-cooperation with previous CRA

CRA	Rating	Last PR Date
CRISIL	CRISIL B/Stable (ISSUER NOT COOPERATING*)	August 09, 2023

*Source: Crisil Website; *Issuer did not cooperate; based on best-available information*

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Jun 25, 2024	Feb 26, 2024	Nov 30, 2022	Aug 06, 2021
1	**Fund-based – Term loan**	Long term	37.73	37.73	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable) ISSUER NOT COOPERATING***	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**
2	**Overdraft limits**	Long term	107.23	107.23	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable) ISSUER NOT COOPERATING***	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**
3	**Unallocated limits**	Long term	5.04	-	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable) ISSUER NOT COOPERATING***	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**

** Issuer did not cooperate; based on best available information*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based – Term loan	Simple
Long-term – Overdraft limits	Simple
Long-term – Unallocated limits	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	Fund-based – Term loan	Oct-2020 to Jan 2023	NA	Oct 2025 to Jan 2033	37.73	[ICRA]A- (Stable)
NA	Overdraft limits	NA	NA	NA	107.23	[ICRA]A- (Stable)
NA	Unallocated limits	NA	NA	NA	5.04	[ICRA]A- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Srijan Realty Private Limited	100.0%	Full Consolidation
Srijan Residency LLP	100.0%	Full Consolidation
Sky View Developers	37.5%	Proportional Consolidation
Trinity Infrapark LLP	33.3%	Proportional Consolidation
PS Srijan Real Venture LLP	50.0%	Proportional Consolidation
Greenfield City Project LLP	50.0%	Proportional Consolidation
Badu Road Developers LLP	37.5%	Proportional Consolidation
Neelanchal Realtors LLP	15.0%	Proportional Consolidation
PS Srijan Developers LLP	45.0%	Proportional Consolidation
PS Srijan Height Developers	50.0%	Proportional Consolidation
Reproscan Tech Park LLP	50.0%	Proportional Consolidation
SouthWind Project LLP	37.5%	Proportional Consolidation
Srijan Star Realty LLP	75.0%	Proportional Consolidation
PS Srijan Estates LLP	29.6%	Proportional Consolidation
PS Srijan Enclaves	50.0%	Proportional Consolidation
Raghabpur Projects LLP	75.0%	Proportional Consolidation
Hazelton High Rise LLP	19.3%	Proportional Consolidation
SRPM Haat LLP	50.0%	Proportional Consolidation
Zen Promoters LLP	33.3%	Proportional Consolidation
Srijan Super Facilities LLP	55.0%	Proportional Consolidation
Metiabruz Retail and Warehousing LLP	50.0%	Proportional Consolidation

Source: Company, ICRA Research

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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.

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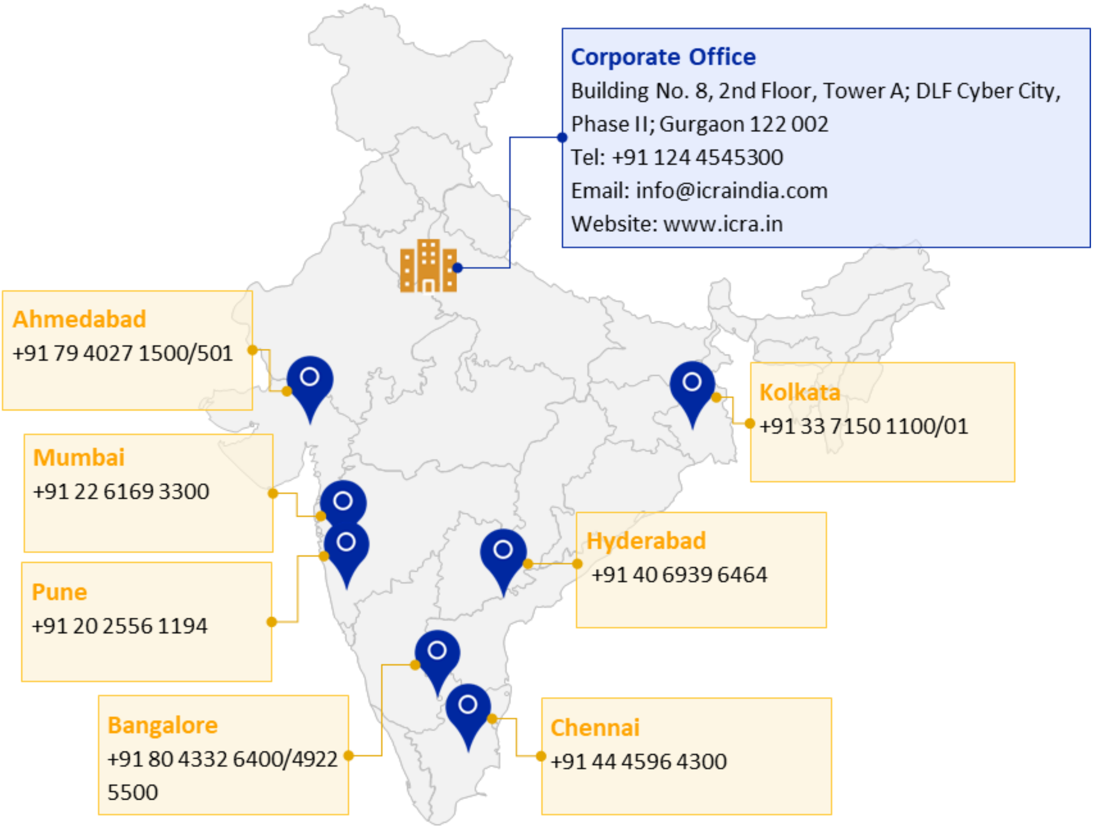

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