February 18, 2025

S.E. Builders and Realtors Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loan	75.00	100.00	[ICRA]BBB+ (Stable); reaffirmed/assigned for enhanced amount
Long-term – Interchangeable – Overdraft	-	(50.00)	[ICRA]BBB+ (Stable); assigned
Total	**75.00**	**100.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for S.E. Builders and Realtors Limited (SEBRL) factors in the strong sales from the newly launched Phase V of the Utalika project, which provides healthy cash flow visibility, thereby likely to result in low reliance on external debt. As of December 2024, the company had committed receivables of Rs. 407 crore from Phase V, against which the total outstanding debt was Rs. 5 crore and the pending project cost was Rs. 291 crore, resulting in a comfortable cash flow adequacy ratio of 138%. All the previous four phases of the Utalika projects have been fully completed and sold, with nil pending cost or outstanding debt or committed receivables as of December 2024. The collections from Phase V are likely to be healthy, backed by the strong sales velocity and the expected healthy construction progress. Further, with the external debt estimated to sustain at low levels, the debt protection metrics are likely to remain adequate in FY2025 and FY2026. The rating factors in the long and established track record of the Ambuja Neotia Group, the promoter group, in Kolkata. The Group has delivered more than 250 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, however, is constrained by the exposure to residual execution and market risks for Phase V of the project with 56% of the pending cost and 21% of the unsold area as of December 2024. Given the healthy sales progress achieved in the initial stage of construction for Phase V, the balance project cost is expected to be largely funded by customer advances and timely receipt of these advances will remain critical for completing the project within the scheduled RERA construction timeline of June 2028. 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 renders the company's sales vulnerable to any downturn in demand and competition within the region from various established developers.

The Stable outlook on the rating reflects ICRA's opinion that the company will be able to achieve healthy collections and construction progress in the project, resulting in an improvement in cash flow operations, while maintaining low debt levels.

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 250 lsf of development comprising residential and commercial spaces and hospitality projects through various joint venture and subsidiary companies over the past two decades.

Favourable project location – The project is located at Mukundapur in Kolkata, with good connectivity and presence of adequate social infrastructure in the vicinity, which has supported its saleability. The project site is situated off EM Bypass and is in proximity to several hospitals, hotels, schools and department stores.

Strong sales providing cash flow visibility with limited dependence on debt – The Phase V of the project Utalika was launched in March 2024, with a total saleable area of 6.12 lsf. The project has received a strong response, and the company has managed to sell 79% of the area till December 2024. As of December 2024, it had committed receivables of Rs. 407 crore from Phase V, against which the total outstanding debt was Rs. 5 crore and the pending project cost was Rs. 291 crore, resulting in a comfortable cash flow adequacy ratio of 138%. The collections from Phase V are likely to be healthy, backed by the strong sales velocity and the expected healthy construction progress. Further, with the external debt estimated to sustain at low levels, the debt protection metrics are likely to remain adequate in FY2025 and FY2026.

Credit challenges

Exposure to residual execution and market risks for Phase V – The company is exposed to residual execution and market risks for Phase V of the project as ~56% is yet to be incurred and ~21% of the area is yet to be sold as of December 2024. Given the healthy sales progress achieved in the initial stage of construction for Phase V, the balance project cost is expected to be largely funded by customer advances. Timely receipt of these advances will remain critical for completing the project within the scheduled RERA construction timeline of June 2028.

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 exposes the company’s sales to any downturn in demand and competition within the region from various established developers.

Liquidity position: Adequate

As of December 2024, the company has free cash and liquid investments of Rs. 9.6 crore. It has a sanctioned term loan of Rs. 100 crore, of which Rs. 95 crore was undrawn as of December 2024. It has committed receivable of Rs. 407 crore as of December 2024, which are adequate to cover the pending project cost of Rs. 291 crore.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to demonstrate a significant increase in scale, along with improvement in cash flow operations, backed by strong collections, while maintaining low debt levels, 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 debt protection metrics, would be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
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. Utalika is spread over five launched phases, which includes one low income group (LIG)/ medium income group (MIG) phase and four high income group (HIG) phases, with each phase consisting of one tower with the total saleable area of the project at 25.7 lsf. At present, Phase V of the project is under construction, with total saleable area of 6.12 msf. It has a RERA completion date of June 2028. All of the previous phases have been completed and fully sold.

Key financial indicators (audited)

SEBRL (Standalone)	FY2023	FY2024
Operating income	19.5	430.8
PAT	2.4	42.7
OPBDIT/OI	17.6%	12.9%
PAT/OI	12.3%	9.9%
Total outside liabilities/Tangible net worth (times)	2.7	0.5
Total debt/OPBDIT (times)	11.0	0.1
Interest coverage (times)	0.9	20.4

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: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Feb 18, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term loan	**Long Term**	**100.00**	**[ICRA]BBB+ (Stable)**	Nov 21, 2023	[ICRA]BBB+ (Stable)	Aug 23, 2022	[ICRA]BBB+ (Stable)	Jul 30, 2021	[ICRA]BBB+ (Stable)
Interchangeable-Overdraft	**Long Term**	**(50.00)**	**[ICRA]BBB+ (Stable)**	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long-term – Interchangeable - Overdraft	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**	March 2024	NA	Jun 2029	100.00	[ICRA]BBB+(Stable)
NA	**Interchangeable - Overdraft**	NA	NA	NA	(50.00)	[ICRA]BBB+(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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