

December 13, 2022

S V Corporation: [ICRA]BB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term loans	75.00	[ICRA]BB- (Stable); assigned
Total	75.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating derives comfort from the long experience of the partners spanning over two decades in the real estate sector and the favourable location of the ongoing commercial project of S V Corporation (SVC) with proximity to key commercial areas and basic infrastructure facilities in Surat.

The rating is, however, constrained by the firm's exposure to high execution risk with 49% construction progress as on November 18, 2022. The project cost of Rs. 174.00 crore is proposed to be funded by a bank debt of Rs. 75 crore (43%), promoter's contribution of Rs. 75.0 crore (43%) and customer advances of Rs. 24.0 crore (14%). The bank debt has been sanctioned and the entire promoter contribution has been infused. The project faces high market risks as the sales are yet to be launched. ICRA notes the firm's exposure to competition from other upcoming projects in the vicinity. Besides, the rating is constrained by the high geographical risks inherent in single-project companies, the cyclicity in the real estate industry, which could impact SVC's sales as well as profitability, and the inherent risk related to the partnership constitution of the entity.

Key rating drivers and their description

Credit strengths

Extensive experience of the partners in real estate development – The Surana Group has been into the business of development of commercial projects since 1992. The projects executed by Surana Group are concentrated in Surat. It has completed more than 25 office complexes till date with a developed area of around 33 lakh sq. ft.

Favourable location of the project – The project is located in VIP Main Road, Vesu, Surat and connects State Highway (SH) 168. The project is located at a distance of 9 km from Ring Road, which is a commercial hub for the clothing industry. Moreover, its proximity to the Surat railway station, at a distance of 11 km, makes it well connected to basic infrastructure and commercial areas, giving it an edge over its competitors.

Credit challenges

Exposure to project execution and market risks – The project is at an intermediate stage of execution, with 49% construction progress as on November 18, 2022. Thus, the exposure to volatility in input prices remain high and the cash flows of the project remain vulnerable to any significant time and cost overrun. With the project yet to be launched commercially, the market risk remains high and timely inflow of advances remains important for successful completion of the project and debt servicing.

Exposure to risks and cyclicity in India's real estate sector – The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure because of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the firm's sales vulnerable to any

downturn in demand and competition within the region from various established developers. The risks are heightened by the dependence on a single micro-market for sales and revenues.

Risk associated with S V Corporation’s legal status as a partnership firm, including the risks of withdrawal of capital – Being a partnership firm, the risk of capital withdrawal remains inherent and any significant capital withdrawal by the partners may necessitate additional borrowings.

Liquidity position: Adequate

The firm has cash balance of Rs. 0.05 crore, undrawn bank lines of Rs. 66.28 crore as on November 18, 2022, which along with the customer advances are expected to be adequate to fund the pending project cost of Rs. 88.60 crore.

Rating sensitivities

Positive factors – The rating may be upgraded in case of healthy bookings and collections leading to improved cash flows.

Negative factors – Cost overrun or unforeseen delay in completing the project could exert pressure on the company’s ratings. Considerable delays in bookings leading to subdued collections may also warrant a rating downgrade.

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

Incorporated in 2020, S V Corporation is a Surat-based real estate development company promoted by the Surana family. The special purpose vehicle (SPV) was formed to develop a commercial project, International Wealth Center, at VIP Main Road, Vesu, Surat. The project has a structure of two basements, ground + 12 floors consisting of 237 shops/offices (47 shops from ground floor to second floor and 190 offices from third floor to twelfth floor). The overall development of the project will be looked after by the partner Mr. Sanjay Surana. The firm’s registered office is at Surat, Gujarat. S V Corporation is a part of the Surat-based Surana Group, which is well known in the real estate and textile sectors in Surat since 1992. The Surana Group’s major focus has been on the development of commercial projects in Surat. Till date, the Group has developed a total area of ~33 lakh square feet (sq. ft.).

Key financial indicators: Not applicable being a project company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Nov 18, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Dec 13 ,2022	-	-	-
1	Term loans	75.0	8.72	[ICRA]BB-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	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 loans	June 2022	9.05%	FY2027	75.00	[ICRA]BB- (Stable)

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis - NA

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Branches



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