

SNN Builders Private Limited

Instrument	Amount	Rating Action
		May 2016
Fund based limits - Term Loans	Rs. 152.00 crore	[ICRA]BBB+ (Stable) upgraded from [ICRA]BBB (Stable)

ICRA has upgraded the long term rating from [ICRA]BBB (pronounced ICRA triple B) to [ICRA]BBB+ (pronounced ICRA triple B plus) for the Rs 152.00 crore fund based-term loans of SNN Builders Private Limited(SBPL). The outlook on the rating is Stable.

ICRA has taken a consolidated view of SNN group including SBPL, SNN Properties LLP (SPL), SNN Homes and SNN Spiritua Developers due to the strong operational and financial linkages including common promoters.

The rating upgrade takes into account the favourable customer response in the form of healthy bookings and customer advance receipts in the newly launched projects '*SNN Raj Greenbay*' and '*SNN Raj Eternia*'. ICRA also positively factors in the steady construction progress in the ongoing projects of the group. The recent financial closure for '*SNN Raj Eternia*' project provides cushion for any variability in the project cash flows. The ratings continue to draw comfort from the strong track record of the promoters and the established presence of SNN group in the Bangalore mid-segment residential segment with completion of 40 projects covering ~8 million sft of built-up area. The rating also factors in the group's demonstrated execution capability with completion of projects within reasonable time and quality. The reasonable strength of the '*SNN Raj*' brand of the group, good location, moderate pricing and wide range of amenities coupled with the policy of phase-wise execution partly mitigate the market risks. The rating also derives comfort from SNN's strategy to off-load part of its project inventory initially at relatively lower rates to tie-up for the project cost and company's track record of low debt utilization to fund the project cost.

However, the assigned rating is constrained by the geographic concentration risk arising from presence mainly in the micro-markets of South and South-East Bangalore. Nascent stage of the considerably large projects '*SNN Raj Greenbay*' and '*SNN Raj Eternia*' exposes the group to project implementation risks in the form of execution and market risks. Sales have been sluggish in the premium P-block of '*SNN Raj Serenity*' project despite the construction being in advanced stages due to the higher ticket size, in line with the trend witnessed in the luxury segment sales in the Bangalore real estate market.

The group's ability to maintain healthy sales velocity for the unsold inventory in the current and upcoming projects, to collect customer advances and execute the projects in a timely manner; and the extent of investments in land bank and new project acquisition and funding pattern for the same would be the key rating sensitivities. ICRA will continue to closely monitor the developments and would take appropriate rating action as and when further details are available.

Company Profile

Incorporated in 2009, SNN Builders Private Ltd (SBPL) is involved in real estate development with presence in the Bengaluru real estate market. SBPL is a part of SNN Group, which has completed over 40 projects covering 8.0 million sft of saleable area comprising largely of residential apartments. The company is currently engaged in development and construction of residential apartments named '*SNN Raj Serenity*', '*SNN Raj Neeladri*' and '*SNN Raj Grandeur*' in Bengaluru. The company has recently completed '*SNN Raj Neeladri*' project (103 residential apartments in 1 acre with JDA share of 64%) with 93% sales completed as on 15th April 2016. While the A, B, C & D block construction is already completed for '*SNN Raj Serenity*' construction for E and P blocks (714 residential apartments) is ~98% complete with 68% area sold as on 15th April 2016. '*SNN Raj Grandeur*' (308 residential apartments in 4.5 acre with JDA share of 66%) is 51% complete in terms of construction cost with 75% sales completed as on 15th April 2016.

SNN group has a portfolio of six ongoing projects with three projects under SNN Builders Private Ltd (SBPL) and one project each under SNN Properties LLP, M/s SNN Homes and SNN Spiritua Developers.



Recent Results

In the financial year FY15, SBPL reported an Operating Income of Rs. 322.32 crore and a PAT of Rs. 22.29 crore against an Operating Income of Rs. 154.52 crore and a PAT of Rs. 12.83 crore in FY14.

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