

Salarpuria Simplex Dwellings LLP

| Instrument | Rated Amount | Rating Action |
|-------------|--------------|------------------------------|
| Cash Credit | Rs. 15 crore | [ICRA]A- (Stable) reaffirmed |

ICRA has reaffirmed the long-term rating of [ICRA]A- (pronounced ICRA A minus) assigned earlier to the Rs. 15.00-crore¹ bank limits of Salarpuria Simplex Dwellings LLP (SSDL)². The outlook on the long-term rating is stable.

The reaffirmation of the rating takes into account the track record of SSDL's promoters – the Salarpuria Group and the Simplex Infrastructure Group, which have an established market position in the real estate and construction/ infrastructure segments, respectively. SSDL is developing a residential complex at Rajarhat, an upcoming residential area in Kolkata. The phase-I of the project was launched for sale in October 2010 and has been able to record healthy bookings of around 89% of the saleable area so far, thereby reducing market risks associated with the project. The phase-II of the project was launched for sale in February 2015 and has been able to record bookings of 34% of the saleable area thus far, indicating positive market response, though a large unsold inventory remains at present. The collection efficiency has also been high at 97% for phase-I and 74% for phase-II at present. The rating also favourably factors in the fact that all the necessary approvals for the project have been obtained, thereby mitigating regulatory risks. The land for the project has been acquired through a joint-development agreement with the land owner, which results in lower upfront capital investment and mitigates the risks associated with land acquisition to some extent. Nonetheless, ICRA notes that there has been a significant cost escalation in phase-I of the project due to increase in the number of floors in two towers, higher specifications offered as well as the increase in input costs due to long tenure of the project. The rating is, therefore, constrained by the execution risks associated with the project, with some portion of phase-I and a significant portion of phase-II yet to be constructed, and some delay in construction. In spite of increase in cost, the project has committed cash flow of around Rs. 48.68 crore generated from the sales made so far. The same amounted to around 0.90 times the estimated development cost remaining to be incurred, thereby almost mitigating the funding risks, and in turn resulting in lower reliance on external debt. The established track record of the promoters in the real-estate space also mitigates the risks to some extent. However, the ongoing weakness in the real-estate market at present is likely to pose challenges for future projects undertaken by the LLP, if any.

Entity Profile

About Salarpuria Simplex Dwellings LLP

SSDL is a limited-liability partnership formed in June 2010 by the Salarpuria Group and the Simplex Infrastructure Group for developing a residential project in two phases at Rajarhat, Kolkata. The phase-I of the project comprises five 8-storied towers and two 12-storied towers, with a saleable area of 7,69,833 sq. ft. The total project cost for phase-I is estimated at Rs. 229.99 crore, out of which around 12% will come from the promoter's capital and 88% from customer advances. Towers 1 to 4 have been handed over in June 2016. Tower 5 is expected to be completed by March 2017, while tower 6 and 7 are expected to be completed by August 2017. The phase-II of the project comprises 49 villas, with a saleable area of 1,47,000 sq.ft. The total project cost for phase-II is estimated at Rs. 65 crore with around 23% proposed to be funded by bank debt, 8% by promoters' capital and 69% by customer advances. Phase II of the project is likely to be completed by June 2018.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



About the Salarpuria Group

The Salarpuria Group is one of the leading real-estate developers in the Bangalore real-estate market and has developed more than 17 million square feet in the past 30 years of its existence. While the group initially started with a focus on commercial real-estate development, as clear from the fact that 70% of the total space developed by the group in the past is commercial in nature, the project mix in the ongoing projects is focused more on the residential development. At present, the group is executing projects with total developable area of around 12.4 million sq. ft, mainly consisting of residential projects in Bangalore. The group also has a sizeable commercial real-estate portfolio, from which the group derives more than Rs. 260 crore of annual rental income. The commercial properties of the group, which are located in prime locations in Bangalore, have witnessed high occupancy levels and house many reputed multinational tenants such as Hewlett Packard, HSBC, Cadence, Verizon etc.

About Simplex Infrastructure Group

The Simplex Infrastructure Group, promoted by Mr. B.D. Mundhra and his family, is involved in design, engineering and construction work of RCC structures, electro-mechanical fit-outs, piling foundation, ground engineering, earth work etc. It is present across various construction sectors, which include piling, industrial, power, urban infrastructures, buildings and housing, marine and roads, railways, and bridges.

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