

Synergy Property Development Services Pvt Ltd

June 01, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund based- Working Capital Facilities	18.00	[ICRA]A (Stable); Assigned
Non-fund based-Working Capital Facilities	19.00	[ICRA]A (Stable); Assigned
Total	37.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]A (pronounced ICRA A) to the Rs. 37-crore¹ bank facilities of Synergy Property Development Services Pvt Ltd (Synergy)². The outlook on the long-term rating is Stable.

Rationale

The assigned rating factors in Synergy's track record of 15 years in providing project management and turnkey construction services. Also, the company's clientele comprising some of the reputed names of the real estate sector supports the rating. Furthermore, the rating takes into account the healthy closing order book status of the company, which provides medium-term revenue visibility. The rating also factors in the comfortable capital structure and debt protection metrics of the company.

The rating, however, is constrained by the high working capital intensity in the business which combined with the investments made in a Group company in recent years has constrained the company's free cash flows. ICRA also takes note of the moderate client concentration, with the top-two clients contributing to 49% of the total closing order book value.

Outlook: Stable

ICRA believes that Synergy will continue to benefit from its established position in the project management services segment and relationship with reputed clients in the real estate industry. The outlook may be revised to Positive in case of reduction in working capital intensity or higher-than-expected growth in accruals. The outlook may be revised to Negative in case further stretch in the working capital cycle, weakens liquidity.

Key rating drivers

Credit strengths

Established presence in project management services with reputed client base – Synergy is the leading player in the project management consulting segment for the real estate industry. It has provided services towards development of

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

more than 100 million sq ft of real estate across various asset classes in the last 15 years. The company has a reputed client base comprising well-known companies like Embassy, Boeing, Sattva, Mahindra, Tata, DLF and HCL.

Healthy closing order book position provides revenue visibility for medium term – The company’s closing order book position as of March 2018 remains healthy with a value of Rs. 664 crore, which is around 2 times the estimated FY2018 revenues. Presence of a healthy order book, coupled with good incremental work enquiries received over the last quarter, provides visibility for revenue booking for the company in the medium term.

Comfortable capital structure and debt coverage metrics – Synergy has reported healthy operating profits over the last two years, which coupled with limited dependence on external bank loans (gearing of only 0.2 as on February 28, 2018) has lead to a comfortable debt coverage profile, reflecting in Total Debt/OPBITDA of only 0.7 times as on February 28, 2018.

Credit challenges

High working capital intensity – The working capital intensity of the company is high on account of high level of retention money, income tax refunds due and certain advances recoverable on past projects.

Investments in Group company – In the recent years, Synergy has invested in redeemable preference shares of a Group company, which has constrained its free cash flows. While some outflow is expected in FY2019, the company’s liquidity profile is expected to be adequate to meet the same.

Moderate client concentration risk – Synergy is exposed to moderate client-concentration risk on account of its top-two clients contributing to 49% of the total closing order book value. Nevertheless, the risks are mitigated to some extent by the strong business profile of the counterparties and Synergy’s good execution track record.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated in 2003, Synergy is an international project management and engineering services company with a service portfolio comprising project management, design services, design and build solutions and advisory services. Synergy has successfully delivered more than 100 million sq ft of real estate development across various asset classes such as commercial/IT parks, hotels, multi-speciality hospitals, retail malls, premium residential, data centres and industrial buildings. Synergy’s client list comprises some reputed names like Embassy Group, Boeing, Ozone, Sattva and DLF Group.

The company is headquartered at Bangalore, and has a presence in India, South Asia, the Middle East and Africa.

Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	222.3	265.3
PAT (Rs. crore)	14.0	19.2
OPBDIT/ OI (%)	10%	13%
RoCE (%)	15%	20%
Total Debt/ TNW (times)	0.1	0.2
Total Debt/ OPBDIT (times)	0.8	0.9
Interest coverage (times)	63.5	17.7
NWC/ OI (%)	51%	44%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs crore)**	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Cash Credit	Long Term	18.00	12.8	June 2018 [ICRA]A (Stable)	-	-	-
2 Bank Guarantee	Long Term	19.00	13.9	[ICRA]A (Stable)	-	-	-

**As on Mar 31, 2018.

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	-	18.00	[ICRA]A (Stable)
NA	Bank Guarantee	NA	NA	-	19.00	[ICRA]A (Stable)

Source: Synergy

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