Samdariya Builders Pvt. Ltd.

August 30, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Cash Credit	5.00	0.24	[ICRA]B+(Stable) Upgraded from [ICRA]B(Stable), removed from non- cooperating category
Fund-based Term Loan	38.65	20.19	[ICRA]B+(Stable) Upgraded from [ICRA]B(Stable), removed from non- cooperating category
Unallocated	33.35	29.57	[ICRA]B+(Stable) Upgraded, from [ICRA]B(Stable) removed from non- cooperating category
Total	**77.00**	**50.00**	

Rating action

ICRA has removed its earlier rating of [ICRA]B (Stable) from the 'ISSUER NOT COOPERATING' category as Samdariya Builders Pvt. Ltd. (SBPL) has now submitted its No Default Statement (NDS) which validates that the company is regular in meeting its debt servicing obligation. ICRA has also upgraded the long-term rating for the Rs. 50.00-crore bank facilities of SBPL to [ICRA]B+ (pronounced ICRA B plus) from [ICRA]B (pronounced ICRA B). The outlook on the long-term rating is Stable.

Rationale

The rating continues to take into account the promoter's extensive experience in the real estate sector and steady operations of the company's Samdariya Mall in Jabalpur. The rating upgrade factors in the surpluses available from the mall for loan repayment. The rating also considers the increased sales velocity in SBPL's premier and largest current project – Samdariya Gold (SG) – which has supported the committed receivable levels. However, the ratings remain constrained by the relatively slower sales velocity in other projects. This apart, the imminent funding risk in the SG project remains as company is yet to avail additional debt.

Going forward, SBPL's ability to increase the sales velocity for the remaining projects as well as ensure healthy collections and timely debt tie-up to improve its debt liquidity position remain crucial.

Outlook: Stable

ICRA believes that SBPL will continue to benefit from the experience of the promoters and their established mall operations. The outlook may be revised to Positive if the company is able to timely sell the remaining real estate inventory and complete its older projects. The outlook may be revised to Negative if there is pressure on liquidity and further delay in tying-up debt, resulting in time overruns in project execution.

Key rating drivers

Credit strengths

Extensive experience of promoters in real estate industry – The promoters of the company have more than three decades of experience in the real estate business. The company has been operating hotels, multiplexes and malls in

Jabalpur. SBPL is currently developing five projects in Jabalpur and Rewa in Madhya Pradesh. All the projects are registered under Real Estate Regulatory Agency (RERA) with revised timelines.

Improved cash flows from mall operations – The company's Samdariya Mall continues to have a good set of tenants. The mall rentals have had triennial escalations and the next hike is due in FY2020. Despite the reduced real estate revenues and bullion business, the revenues from mall operations remained steady in FY2018. The company reduced bullion trading to shift it to another Group entity. Also, the operating margins from the mall business is expected to grow with gradually reducing lease rentals debt, which is scheduled to be entirely repaid by FY2020. The revenues from hotel operations, along with multiplex and Westside franchise business, remained stagnant.

Improved sales velocity in Samdariya Gold project – The company has been focussing more on selling units in its flagship project – SG – in Rewa which includes both residential and commercial units. The company sold additional 11% of the units in FY2018, which amounted to approximately 90 units sold. As on March 31, 2018, committed receivables from SG stood at Rs. 84.5 crore against Rs. 62.5 crore as on March 31, 2017. As a result, the overall ratio of committed receivables to committed outflows stood at 0.90 times – an improvement from the previous year.

Credit challenges

Relatively slower sales in other real estate projects – While the sales picked up in SG project, the sales in other projects slowed down. Apart from sales in SG, the company managed to sell only 21 other units in four projects combined, which impacted the overall sales velocity. The situation was exacerbated by a weak market scenario. Thus, the company remains dependent on new bookings and timely collections to complete execution and manage its cashflow position. This is crucial as the company has repayments of Rs. 14.589 crore over the next three years, excluding the rentals debt.

Debt tie-up for Samdariya Gold still pending – As on March 31, 2018, the total pending cost including debt was Rs. 131 crore against committed receivables of Rs. 110 crore. This resulted in a shortfall of Rs. 21 crore. The company has not been able to tie-up the required debt for SG and the proposal is still pending. While the overall financial progress stands at 53%, the timely debt availability and collections remain crucial for the execution of all the real estate projects.

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

Links to applicable criteria:

Corporate Credit Rating Methodology
Rating methodology for real estate entities

About the company

Samdariya Builders Pvt. Ltd. (SBPL) is a part of the Samdariya Group, Jabalpur. The Group was incorporated in 1947 to carry on the business as builders, contractors, developers, colonisers and real estate agents. The company also operates the Samdariya Mall at Civic Centre, Jabalpur, which is the central hub of Jabalpur city. Samdariya Mall is a shopping and entertainment destination for Jabalpur. It is a mix of multiplex cinema, hyper market, retail area, entertainment area and restaurant and food court. Apart from this, the company has interest in developing real estate projects. Besides, SBPL is involved in cement trade, construction, jewellery wholesale and mall operations. Currently, company is developing five real estate projects, comprising both residential and commercial units.

In FY2017, the firm reported a net profit of Rs. 2.0 crore on an operating income (OI) of Rs. 54.6 crore compared with a net profit of Rs. 1.4 crore on an OI of Rs. 54.5 crore in the previous year. As per the provisional figures provided by SBPL, it generated sales of Rs. 39.4 crore in FY2018 with net profit of Rs. 0.8 crore.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	54.5	54.6
PAT (Rs. crore)	1.4	2.0
OPBDIT/ OI (%)	20.3%	24.5%
RoCE (%)	8.2%	9.3%
Total Debt/ TNW (times)	0.89	0.98
Total Debt/ OPBDIT (times)	4.42	4.19
Interest Coverage (times)	1.81	1.96
NWC/ OI (%)	70.3%	92.1%

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 August 2018	Date & Rating in FY2019 April, 2018	Date & Rating in FY2018 July, 2017	Date & Rating in FY2017 December, 2016
1	Cash Credit	Long Term	0.24	0.24	**[ICRA]B+ (Stable)**	**[ICRA]B(Stable) ISSUER NON-COOPERATING**	**[ICRA]B(Stable); upgraded**	**[ICRA]D; downgraded**
2	Term Loan	Long Term	20.19	20.19	**[ICRA]B+ (Stable)**	**[ICRA]B(Stable) ISSUER NON-COOPERATING**	**[ICRA]B(Stable); upgraded**	**[ICRA]D; downgraded**
3	Unallocated	Long Term	29.57	29.57	**[ICRA]B+ (Stable)**	**[ICRA]B(Stable) ISSUER NON-COOPERATING**	**[ICRA]B(Stable); upgraded**	**[ICRA]D; downgraded**

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
	Cash Credit	NA	NA	NA	0.24	[ICRA]B+(Stable)
	Term Loan	01/04/2014	NA	31/03/2022	20.19	[ICRA]B+(Stable)
	Unallocated	NA	NA	NA	29.57	[ICRA]B+(Stable)

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