



Press Release

Singhania Buildcon Private Limited

August 11, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Term Loan	44.11	IVR BBB - /Positive (IVR Triple B Minus with Positive Outlook)	Assigned
Short Term Fund Based Bank Facilities – Bank Overdraft	5.89	IVR A3 (IVR A Three)	Assigned
Total	50.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Singhania Buildcon Private Limited (SBPL) derives comfort from its experienced promoters with long track record of operations, satisfactory level of sales for its launched projects with all required necessary approvals and debt tied up for its ongoing projects. The ratings also consider SBPL's adequate land bank, diversification of revenue source, improvement in financial performance in FY19 and FY20 (Prov.) with moderate capital structure. However, these rating strengths are partially offset by project execution and geographical concentration risk, high dependence on customer advances and exposure to risks relating to cyclical in the real estate industry. The outlook is positive due to expected increase in bookings from the ongoing projects, expected improvement in revenue and cash accruals in near to medium term.

Key Rating Sensitivities:

Upward factors

- Timely completion of the ongoing project.
- Increase in bookings for the launched projects with timely receipt of advances.
- Improvement in the capital structure and debt protection metrics

Downward factors

- Delay in completion of project.
- Significant cost overruns of the project.
- Lower than expected booking status and delayed receipt of customer advances.
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with overall gearing ratio deteriorated to below 2x.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record

Raipur, Chhattisgarh based Singhania Buildcon Private Limited (SBPL) has a track record of over two decades in the real estate sector and has developed over 30-35 residential and commercial real estate projects.

The operations of the company are looked after by Mr. Subodh Singhania, Chairman and Managing Director, a commerce graduate by qualification with over three decades of experience in the real estate sector. He is supported by his son Mr. Harshit Singhania, who is also a commerce graduate by qualification and is a Director in the company. The Directors are actively involved in managing the day to day operations of the company and are supported by a team of experienced and qualified professionals.

Necessary approvals for all ongoing projects in place

SBPL currently has 9 on-going projects with 47.06 lsf (lakh square feet) area at different stages of execution. The company has received necessary approvals for all of its ongoing projects, mitigating the regulatory risks in entirety.

Satisfactory level of sales for the launched projects

The company presently has 9 launched projects across Raipur, Chhattisgarh with total saleable area of 47.06 lsf, having an estimated sale value of Rs.454.37 crore. The company has already received bookings for about 21.05 lsf (~45%) with total sale value of Rs.175.85 crore (~39% of estimated sale value of Rs.454.37 crore), as on June 30, 2020. SBPL has already received Rs.126.65 crore (~72% of total sales booked) till June 30, 2020 which indicates comfortable cash flow position of the company. Improving sales momentum and timely receipt of customer advances are key monitorable.

Adequate land bank

The company is having an adequate freehold land bank of 44.77 lsf which has a market value of ~Rs.104 crore. Available freehold land bank strengthens the credit risk profile of the company to an extent.

Diversification of revenue source



Press Release

Apart from developing residential/commercial projects, the company has developed a 4-star, 60 room hotel in Raipur under the brand name of 'Singhania Sarovar Portico'. The company commenced the operations of the boutique hotel in January 2018. Thus, in addition to the revenue generated from the residential/commercial projects, the company generates revenues from the hotel. Revenue from hotel improved in FY19 to Rs.5.41 crore as against Rs.0.75 crore in FY18 and further improved to Rs.6.25 crore in FY20 (Prov.) The average occupancy rate of 'Singhania Sarovar Portico' was ~60% -70% for the last one year of its operations.

Total debt tied up for ongoing projects

SBPL has availed term loan of Rs.25.00 crore for its only one ongoing project – Harshit Landmarks (Phase 1 & 2) which is to be developed in four phases. The entire debt has been sanctioned from Punjab National Bank out of which Rs.22.48 crore has been disbursed till June 30, 2020 and the balance will be disbursed by Feb-Mar, 2021.

The management will require additional Rs.2.00 crore of debt for Phase 3 & 4 of the project which the management plans to avail once the construction for Phase 4 starts from Q4, FY21.

Improvement in financial performance in FY19 and FY20 (Provisional)

The company recognizes revenue as per the percentage of completion method. Total operating income (TOI) increased at a CAGR of ~14% during FY17-19. Further, the TOI increased from Rs.31.30 crore in FY19 to Rs.37.24 crore in FY20 (Prov.) witnessing a y-o-y growth of ~18% in FY20 (Prov.) over FY19. The growth in TOI is backed by booking of revenue from new projects. Along with increase in revenue from hotel which commenced operations from January, 2018, the sales momentum is stable for the various projects. The company registered a total operating income of Rs.11.20 crore in Q1FY21.

The EBITDA margin improved substantially from 22.66% in FY18 to 33.66% in FY19 on account of decline in operational cost. However, EBITDA margin declined marginally from 33.66% in FY19 to 29.76% in FY20 (Provisional) primarily on account of stock adjustment (decline in inventory in FY20 (prov.) as compared to FY19). In spite of decline in EBITDA margin in FY20 (Prov.), PBT margin improved marginally from 4.70% in FY19 to 5.86% in FY20 (Prov.) on account of relatively low interest cost and depreciation provision. Consequently, PAT margin also improved from 2.03% in FY19 to 3.09% in FY20 (Prov.).

Moderate capital structure



Press Release

The overall gearing of the company remained moderate at 1.35x as on March 31, 2020 (Prov.) as against 1.30x as on March 31, 2019 (considering the unsecured loans of Rs.18.00 crores from Directors and relatives as quasi equity). The net worth of the company also remained moderate at Rs.34.44 crore as on March 31, 2020 (Prov.). Total indebtedness remained satisfactory with TOL/TNW of 2.72x as on March 31, 2020 (Prov.).

Key Rating Weaknesses

Project execution risk with multiple projects executed simultaneously

The company is simultaneously executing 9 residential projects simultaneously. The projects are of different sizes with long gestation period and are at various stages of completion. Multiple projects intensify project execution risk as real estate projects involves various external factors like availability of labour, availability of construction materials, requisite approvals, clearances, economic scenarios etc. Considering the gestation period of around three years for completion of real estate projects, any volatility in the raw material prices and labour costs will impact the cost of the project as the selling prices are fixed upon booking.

Dependence on customer advances

The company is largely dependent on customer advances for funding of its ongoing project as well as for repayment of debts. As on June 30, 2020 the total cost of the 9 projects of the company estimated at Rs.292.48 crore. Out of the total cost as on June 30, 2020 the company incurred the company incurred Rs. 171.44 crore, which was funded through long term debt of Rs.22.48 crore, customer advances of Rs.126.65 crore and the balance through unsecured loans and internal accruals. Higher dependence on customer advances indicates execution risk going forward however, demand of quality real estate in and around Raipur and vast experience of the promoters imparts comfort.

Geographical concentration risk

All the past and ongoing projects of SBPL are located in Raipur, Chhattisgarh which exposes the company to geographical concentration risk. Any adverse movement in the regional real estate market can impact the overall operations of the company. However, the strong hold of the promoters in the real estate market of Chhattisgarh mitigates the concentration risk to a certain extent.

Exposure to risks relating to cyclicity in real estate industry



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Cyclicality in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and salability. This may affect the debt servicing ability of the company. SBPL will remain susceptible to the inherent cyclicality in the real estate sector.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Singhania Buildcon Pvt Ltd is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. Further, the company is likely to be benefited from the resourcefulness of the promotes. Overall liquidity position is expected to be adequate. Cash and cash equivalent were comfortable at Rs.1.35 crore as on June 30, 2020. Timely inflow of customer advances will remain a rating sensitivity factor.

About the Company

Incorporated in 1999 by Raipur, Chhattisgarh based Mr. Subodh Singhania who is also the Chairman and Managing Director of the company, Singhania Buildcon Private Limited (SBPL) is engaged in development of residential and commercial real estate projects in Raipur, Chhattisgarh. SBPL has been involved in the real estate sector for over two decades and has constructed over 30-35 residential and commercial real estate projects across Raipur, Chhattisgarh. Presently, the company has 8 ongoing projects namely Archee Icon City, Harshit Harmony, Harshit Icon City, Harshit Vihar Urkura, Harshit Landmarks, Harsh Bhoomi, Harshit Neo City and Maple Green. Apart from developing real estate projects, SBPL is also operating a 60 room, 4-star hotel in Raipur named ‘Singhania Sarovar Portico’ which commenced operations from January, 2018.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	31.30	37.24
Total Income	34.61	40.81
EBITDA	10.53	11.08
PAT	0.70	1.26



Press Release

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Debt	67.68	72.55
Tangible Net worth	34.44	35.70
EBITDA Margin (%)	33.66	29.76
PAT Margin (%)	2.03	3.09
Overall Gearing Ratio (x)	1.30	1.35

*As per Infomerics' Standard

Status of non-cooperation with previous CRA:

CARE Ratings has moved the rating of SBPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the last Press Release dated March 30, 2020.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	44.11 *	IVR BBB-/ Positive Outlook	-	-	-
2.	Bank Overdraft	Short Term	5.89	IVR A3	-	-	-

*outstanding as on June 30, 2020

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually



Press Release

gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	September, 2023	44.11 *	IVR BBB- / Positive Outlook
Short Term Bank Facilities – Bank Overdraft	-	-	-	5.89	IVR A3

**outstanding as on June 30, 2020*