January 20, 2023

SVP Builders (I) Limited: Rating upgraded from [ICRA] B (Stable) to [ICRA] BB (Stable) and removed from Issuer not Cooperating

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Term Loan	52.6	50.0	[ICRA] BB (Stable); upgraded from [ICRA] B (Stable) and removed from Issuer not Cooperating
Long term – Unallocated	47.4	20.0	[ICRA] BB (Stable); upgraded from [ICRA] B (Stable) and removed from Issuer not Cooperating
Total	**100.0**	**70.0**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA has upgraded the ratings assigned to SVP Builders (I) Limited (SVPBL) bank lines and removed it from Issuer Not Cooperating (INC) category, owing to company's cooperation in concluding the rating exercise. The revised rating factors in the established track record of operations of SVPBL along with the extensive experience of its promoters in real estate industry in National Capital Region (NCR). SVPBL's leverage as marked by Net Debt/CFO is low at 1.7x as of November 2022, which is likely to sustain below 1.0x going forward. Further, the company has committed receivables of Rs 30 crore and unsold inventory of Rs 225 crore as of Nov 2022 which covers 236% of the pending cost and outstanding debt. The ratings further drive strength from healthy unencumbered completed inventory of Rs 85 crore in its projects, which provides the financial flexibility.

However, the rating is constrained by SVPBL's muted sales velocity in last 12-18 months, elevated years-to-sell (YTS) of 7 years and its low collections efficiency ratio at 41% along with modest scale of operations with reported revenues of Rs. 123 crore in FY2022. Further cash flow adequacy remains low at 32%, making the company highly dependent on ramping-up its sales and collections, to meet its debt obligations and pending costs. Additionally, the rating is constrained by the exposure to geographical concentration risk due to presence primarily in Ghaziabad real estate market and exposure to risks and cyclicality inherent in the real estate sector in India.

Key rating drivers and their description

Credit strengths

Established track record of promoter group in Ghaziabad's real-estate market – SVP Group was incorporated in 1992 for the purpose of development and construction of real estate projects. SVP Group has completed real-estate development encompassing area of more than ~5 msf in Ghaziabad

Healthy unencumbered inventory provides financial flexibility – The company currently has total unsold inventory of around Rs 225 crore which includes completed unencumbered inventory of around Rs 85 crore which provides the financial flexibility for the company for servicing its outstanding debt obligations. The value of unsold inventory is more than double the current outstanding debt of the entity.

Low leverage – The company has term debt of Rs 32 crore as of Nov 30, 2022 against which the company has committed receivables of Rs 30 crore and completed inventory of Rs 85 crore as of Nov 2022. Further, the expected cash flows (unsold inventory plus committed receivables) from ongoing and completed projects covers 236% of the sum of pending cost and outstanding debt. The company's leverage as marked by net debt/CFO remains low at 1.7x as of November 2022 which is likely to sustain below 1.0x going forward.

Credit challenges

Muted sales velocity and cash flow adequacy ratio: The sales velocity has remained low for its ongoing projects, the company sold only about 21% of the total area as of Nov'22 as company decided to first complete the project so as to fetch better pricing. The collections have remained low at 41% of the total sales value as payments are milestone based where company receives 50 percent of the amount within the 60 days of the booking and rest 50 percent is received at the time of possession. Further cash flow adequacy remains low at 32%, making the company highly dependent on ramping-up its sales and collections, to meet its debt obligations and pending costs.

Modest scale of operations: SVPBL's scale of operations remained modest over the last few years. The company achieved sales of ~Rs. 123 crore in FY2022 (PY: Rs 86.3 crore) from its ongoing and completed projects. The company is currently executing two residential projects at present, encompassing ~5.7 lakh sft of total saleable area.

Exposure to geographical concentration risk – All of the projects of the company are located in the Ghaziabad which exposes it to the geographical concentration risk. The company faces stiff competition from other real estate developers in competitive real-estate market of Ghaziabad

Exposure to risks and cyclicality in real estate sector in India – The real estate sector is marked by a highly fragmented market structure because of the presence of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the company's sales vulnerable to any downturn in demand.

Liquidity position: Stretched

The liquidity of the company is stretched as marked by low cash and cash equivalents of Rs 1.48 crore as of November 2022. Further the cash flow adequacy ratio remains low at around 36% as of November 2022. Sustaining the collection momentum and improving the sales velocity would be critical for improving the liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade SVPBL's rating if there is a significant and sustained increase in the sales and collections, along with improvement in the liquidity position and debt protection metrics.

Negative factors – Negative pressure on the rating could emerge in case of delays in project execution, slower than expected sales and collections or significant unbudgeted debt-funded investment leading to deterioration in SVPBIL's liquidity and leverage position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

SVP Builders (I) Limited (SVPBL), is a real estate development company with presence in commercial and residential real estate. The company has executed various residential real estate projects primarily in Ghaziabad market covering more than ~2msf area. Currently the company is executing residential real estate projects by the name of Utopia the Nest (Gulmohar Garden Phase 3) in Raj Nagar Extension and The Imperial (Gulomhar Vasant) in Nehru Nagar which was completed in December 2022 and company has received the completion certificate in January 2023.

SVP Builders (I) Limited is a part of SVP Group having an established track record in real estate market of Ghaziabad. The Group was founded in the year 1992 and has so far completed about 12 residential real estate projects in Ghaziabad covering area of more than 4 msf (million square feet). SVP Group is promoted by Mr. Vijay Kumar Jindal, who has been associated with Real estate, Liquor, Education and Hotel Industries for about two decades.

Key financial indicators (audited)

SVPBL Standalone	FY2021	FY2022
Operating income	86.3	123.0
PAT	2.6	4.2
OPBDIT/OI	13.4%	10.3%
PAT/OI	3.0%	3.4%
Total outside liabilities/Tangible net worth (times)	0.7	0.8
Total debt/OPBDIT (times)	4.3	4.8
Interest coverage (times)	1.4	1.6

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Source: Company annual reports, ICRA Research.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating in Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					January 20, 2023	December 20, 2021	October 30, 2020	July 19, 2019	-
1	Long term Term Loan	Long Term	50.0	41.5	[ICRA] BB (Stable)	[ICRA] B (Stable); ISSUER NOT COOPERATING	[ICRA] B (Stable); ISSUER NOT COOPERATING	[ICRA] B (Stable); ISSUER NOT COOPERATING	-
2	Long term Unallocated	Long Term	20.0	0.0	[ICRA] BB (Stable)	[ICRA] B (Stable); ISSUER NOT COOPERATING	[ICRA] B (Stable); ISSUER NOT COOPERATING	[ICRA] B (Stable); ISSUER NOT COOPERATING	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term – Term loan	Simple
Long term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan 1**	May 2022	11.50%	Mar 2024	10.0	[ICRA] BB (Stable)
NA	**Term Loan 2**	Jan 2022	16.0%	Mar 2025	40.0	[ICRA] BB (Stable)
NA	**Unallocated**	-	-	-	20.0	[ICRA] BB (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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