



## Press Release

### SPR Construction Private Limited May 13, 2020

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	250.00	IVR BBB-/Stable (IVR triple B minus with stable outlook)	Assigned
	<b>Total</b>	<b>250.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of SPR Construction Private Limited derives comfort from its resourceful promoters, established track record of SPR group and favourable location of its projects. However, the rating strengths are partially offset by project execution risk. The rating also considers its exposure to risks relating to cyclicalities in real estate industry.

#### Key Rating Sensitivities

##### Upward Factors

- Timely completion of the projects
- Sale of inventory at competitive rates

##### Downward Factors

- Significant delay in completion of projects
- Lower booking status

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

###### Established track record of SPR group

The group has successfully completed over 18 lakh sq.ft of development in commercial and residential space. Osian Heights, the first project of the SPR Group in Mint, Chennai stands today as the tallest tower in North and Central Chennai with 19 floors spread across an area of 1 acre. Osian Chlorophyll, the recently completed project has 10 towers of 15 floors each spread in an area of 9.44 acre to give the society the Green Revolution of Porur.

##### Resourceful promoters



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The promoters of the Company have been associated with the real estate industry for over five decades. Mr. Prithviraj S Kawad started the group in 1972 with an aim to provide a full range of development capacities, creating sustainable investment products for quality-oriented real estate investors. The group is now headed by Mr. Hitesh P Kawad.

### **Favourable Location**

The upcoming projects of the company are centrally located and are easily commutable from all the transport links in Chennai. The project also has proximity and easy access to many famed schools, commercial areas, hospitals, recreational areas and government offices.

### **Key Weaknesses**

#### **Project Execution Risk**

Construction of Tower A,B and H, Market of India and Villas is still in progress. Though the project has received all necessary regulatory clearances, the expected date of completion of all towers is December, 2021 whereas for Market of India the estimated date of completion is March, 2022 and for villas the expected completion date is March, 2021. The long implementation period makes the company susceptible to time and cost overruns, which may impact profitability. Once operational, ability to sell the units is key to meet the debt obligation on time.

#### **Exposure to risks relating to cyclicity in real estate industry**

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of the company. SPRCPL will remain susceptible to the inherent cyclicity in the real estate sector.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-financial Sector)

#### **Liquidity: Adequate**

SPRCPL is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings. Further, the company is likely to benefit from



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the resourcefulness of the promoter group. Overall liquidity position is expected to be adequate.

### **About the Company**

SPR Constructions Private Ltd. (SPRCPL) was incorporated in the year 2009 by Mr. Prithviraj S Kawad. SPRCPL is engaged in acquisition and development of residential and commercial properties in South India. It is headquartered in Chennai. The company ventured into real estate with a development of 3 lakh square feet and has completed over 18 lakh square feet of development. Currently, SPR Group is engaged in construction at Binny Mills (16 million square feet) at Perambur, Chennai, spread over 64 acres of land by name SPR city. The Company has undertaken construction of 3 towers (A, B & H), construction of commercial work space called “Market of India” (Organized wholesale market) and construction of 85 villas and bungalows. The whole project is under Joint Development Agreement with SPR Constructions Pvt Ltd (Developer) and Binny Ltd (Land Owner). The gross sale received from relevant escrow account shall be shared between land owner and developer in the ratio 40:60.

### **Financials (Standalone):**

For the year ended* As on	(Rs. crore)	
	31-03-2018	31-03-2019
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	23.46	66.52
EBITDA	-9.62	-22.70
PAT	2.31	-14.32
Total Debt	754.88	800.79
Tangible Net worth	7.17	-20.45
EBITDA Margin (%)	-41.02	-34.12
PAT Margin (%)	5.71	-14.12
Overall Gearing Ratio (x)^	105.24	-39.16

\*classification as per Infomerics standard

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**



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### Rating History for last three years:

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.	Proposed Term Loan	Long Term	250.00	IVR BBB- /Stable Outlook	-	-	-

**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](http://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 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- Proposed Term Loan	-	-	-	250.00	IVR BBB- /Stable