



Press Release

SPR Construction Private Limited

October 19, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	945.00 (including proposed limit of Rs. 305.60 crore)	IVR BBB- Rating Watch with Negative Implications (IVR triple B minus under Rating Watch with Negative Implications)	Revised from IVR BBB/ Stable (IVR triple B with Stable outlook)	Simple
Total	945.00 (INR nine hundred and forty five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision of the rating assigned to the bank facilities of SPR Construction Private Limited (SPRCPL) considers the ongoing dispute with Binny Limited. However, the rating takes comfort from the advanced stage of construction and movement in the project as per the schedule, healthy booking levels and maintenance of DSRA and escrow account for routing the revenue of the project. Moreover, the rating also take into account the long track record of operations and the experienced promoters. However, these rating strengths continues to remain partially offset by residual project execution risk, exposure to risks related to cyclicalities and regulations in real estate industry and high geographic concentration risk.

The rating is placed under rating watch with negative implications in view of any possible impact due to ongoing dispute between SPRCPL and Binny Limited negatively impacting its operating scenario. Infomerics will continue to monitor the developments in this regard and will take a view on the rating once the exact implications of the above on the credit risk profile of the entity are clear.



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Key Rating Sensitivities:

Upward Factors

- Timely completion of the project without any cost overrun.
- Significant increase in sales velocity with healthy collection efficiency.
- Sale of residual inventory at higher than expected realisations.

Downward Factors

- Any negative impact on the operational and/ or financial performance of the company owing to the ongoing dispute with Binny Limited
- Significant time and cost overruns
- Substantially lower than envisaged bookings and realisations.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations, experienced promoters

The SPR group has successfully completed over 19.45 lakh sq.ft of development in commercial and residential space. Its executed projects include Osian Heights in Mint, one of the tallest tower in North and Central Chennai, 19 floor tower spread across an area of 1 acre, one of the tallest tower in North and Central Chennai, Osian Chlorophyll in Porur, having 10 towers of 15 floors each spread in an area of 9.44 acre, Osian One in Vepery, The Shree Ram Universal School in SPR City. All the projects are executed in Chennai. Given the key locations of the projects located has enhanced their attractiveness translating into steady sales momentum and suitable realisations. The key promoter Mr. Prithviraj Kawad has an experience of five decades and is supported by Mr. Hitesh Kawad, Director. SPR Construction Private Limited is currently developing an integrated township in the Chennai's northern district of Perambur. The project layout broadly consists of residential high-rise towers, commercial space as also bungalows and villas with adequate amenities and connectivity in the vicinity thus increasing the project's attractiveness and the marketability. The project is jointly developed by Binny Mills, the landowners and the company with the residual revenues been shared in the proportion 40:60.



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Advance stages of construction

The cumulative cost of all the projects as on September 30, 2022 Rs. 3,382.97 crore project plans to be funded through Rs.645.39 crore debt, Rs.392.02 crore promoter funds with rest coming as advance from customers. All the Term loan has been sanctioned, availed and repayment has also been started. Completion Certificate has been received for Tower A and B, while the Tower H and Villa is estimated to completed by June 2023. The commercial project and Tower C is estimated to be completed by December 2024. The term loan repayments have started project cash flow provides cushion for the same.

Healthy Booking Levels

Of the total saleable area of 43.11 lakh square feet of the ongoing projects, 25.97 lakh square feet area has already been sold as on September 30, 2022 – this is a healthy increase from 18.92 lakh square feet sold during last rating process. Accordingly, 60% of the total saleable area is sold as on September 30, 2022. Tower ABH alone is 87% sold and the physical construction is ~99% of the project.

Maintenance of DSRA and Escrow Account

The revenue of the project is routed through an escrow account maintained with the bank. The withdrawals from account depends as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses. The company is required to maintain a DSRA equivalent to three months interest and principal repayments which imparts additional comfort over the repayments of interest/debt. The company/management has repaid term loans of Rs. 238.61 crore as on December 31, 2022 out of the total disbursed amount of Rs.804.50 crore.

Key Rating Weaknesses

Ongoing dispute with Binny Limited

Binny Limited who has given general power of attorney to SPR Construction Private Limited for constructing the township has entered into a legal dispute with them which is regarding the pendency of payment as per the joint development agreement. Also, Binny Limited is not getting financial information from SPRCPL, which is restricting them to finalize the financial statements for FY2023. The matter is at present before the Panel of Arbitrators formed by the



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High Court of Madras. Infomerics notes that any negative development on the above mentioned facts will be key rating determinants, going forward.

Residual Project Execution Risk

While the residential tower project A and B are completed and the other residential tower project are on advanced stage of construction, the commercial project are at mid-level of construction as on September 30, 2022. Timely completion of the projects without any cost overrun will be a key monitorable, going forward.

Exposure to risks relating to cyclicality and regulations in real estate industry; high geographic concentration risk

The current ongoing project is being executed in Chennai city, the company currently has no other projects in hand which also underpins the geographical concentration risk. Being a cyclical industry, real estate depends on macro-economic factors and the company's dependence on a particular geography further heightens such risk. The real industry also remains susceptible to regulatory risk. Cumulatively, these may have a material bearing on the real estate project cash flows. Managing the same thus remains critical. The undergoing projects have the required approvals in place.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

SPRCPL is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings. In addition, availability of escrow mechanism along with DSRA/ISRA account is expected to ensure the smooth repayments. Further, the company is likely to benefit from the resourcefulness of the promoters. Overall liquidity position is expected to be adequate.



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About the Company

SPR Constructions Private Limited (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 Construction Private Limited is currently developing an integrated township (SPR City) in the Chennai's northern district of Perambur. The project is jointly developed by Binny Mills, the landowners and the company with the residual revenues been shared in the proportion 40:60.

Presently the running projects in SPR Construction Private Limited are Towers A, B & H, Market of India, Villas and Bungalows and Tower C.

Financials (Standalone):

(Rs. crore)		
For the year ended* / As on	31.03.2021	31.03.2022
	Audited	Audited
Total Operating Income	68.68	312.48
EBIDTA	-68.25	-66.42
PAT	-31.88	-28.13
Total Debt	744.42	823.58
Tangible Net Worth	71.00	29.29
Adjusted Tangible Net Worth	106.22	135.10
EBDITA Margin (%)	-201.13	-23.72
PAT Margin (%)	-46.42	-9.00
Overall Gearing Ratio (x)	10.48	28.12

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickwork has maintained the company in "Issuer not Cooperating" category due to nonavailability of information via PR dated July 27, 2022.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2022-23 February 06, 2023	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2021-22 May 13, 2020
1.	Term Loan	Long Term	639.40	IVR BBB- Rating Watch with Negative Implications	IVR BBB/ Stable	IVR BBB- / Stable	IVR BBB- / Stable Withdrawn	IVR BBB- / Stable
2.	Proposed Term Loan	Long Term	305.60	IVR BBB- Rating Watch with Negative Implications	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
3.	Proposed Bank Guarantee	Short Term	-	-	Withdrawn^	IVR A3	-	-

^Proposed bank facilities has been withdrawn as the limit was not availed by the company

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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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
Term Loan 1	Long Term	-	FY2025	177.4	IVR BBB- Rating Watch with Negative Implications
Term Loan 2	Long Term	-	FY2027	300.0	IVR BBB- Rating Watch with Negative Implications
Term Loan 3	Long Term	-	FY2027	50.0	IVR BBB- Rating Watch with Negative Implications
Term Loan 4	Long Term	-	FY2024	71.4	IVR BBB- Rating Watch with Negative Implications
Term Loan 5	Long Term	-	FY2024	24.0	IVR BBB- Rating Watch with Negative Implications
Term Loan 6	Long Term	-	FY2024	5.6	IVR BBB- Rating Watch with Negative Implications



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Term Loan 7	Long Term	-	FY2024	11.0	IVR BBB-Rating Watch with Negative Implications
Proposed Term Loan	Long Term	-	-	305.6	IVR BBB-Rating Watch with Negative Implications

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SPR-oct23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.