



Press Release

SPR Construction Pvt Limited

November 08, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Bank Facilities- Long Term	645.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2	Proposed Bank Facilities- Long Term	275.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
3	Proposed Bank Facilities- Short Term	25.00	IVR A3 (IVR A Three)	Assigned
	Total	945.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating to the bank facilities of SPR construction Pvt Ltd (SPR) factors in the long track record of operations of the SPR group as also the favourable location of the project enhancing its attractiveness. Further, the debt tie up with substantial disbursement and the advanced stages of the project with adequate project advances also have supported the cash flow of the project. The ratings however remain constrained with the cyclicity and the regulatory risk typically associated with the real estate projects. Further, the liquidation of the residual inventory at suitable momentum and realisations amidst competition from residential, commercial projects in the vicinity also remains a key rating sensitivity, going forward.

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

- Significant delay in completion of projects as also committed lines of funding
- Significant time and cost overruns
- Substantially lower than envisaged bookings and realisations



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List of Key Rating Drivers with Detailed Description

Key Rating Strength

Long track record of operations, experienced promoters

The SPR group has successfully completed over 18 lakh sq.ft of development in commercial and residential space. Its executed projects include Osian Heights in Mint, Chennai one of the tallest tower in North and Central Chennai, a 19 floor project spread across an area of 1 acre and Osian Chlorophyll, with 10 towers of 15 floors each spread in an area of 9.44 acre to give the society the Green Revolution of Porur. 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.

Favourable location increasing project attractiveness

SPR Construction Pvt Limited currently is executing 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.

Advances stages of construction; Debt tie up in place reducing funding risk to an extent

The project commenced construction in February 2017 and on a cumulative basis as on March 31, 2021, 45% of the total cost has been incurred. The cumulative cost of all the projects, Rs. 2500 crore project plans to be funded through Rs. 920 crore debts, Rs. 442 crore promoter funds with rest coming as advance from customers. Of the Rs. 920 crore debts tied up, Rs. 594 crore (65% of the total sanctioned) has been availed till September 30, 2021. Of the total saleable area of 4.31 million square feet cumulatively, 1.89 million square feet has been sold. Sale of the remaining area at suitable momentum and remunerative realizations remains crucial to the project liquidity and will be a key monitorable going forward. While the residential tower project is estimated to be completed by June, 2023 the commercial and the bungalows project is estimated to be completed by December 2024 and March 2022 respectively. The term loan repayments also remain favorable with the same majorly beginning in FY2023 towards the project maturity which also supports the project cash flow.



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Key Weaknesses

Residual Project Execution Risk

While the residential tower project construction has been on advanced stage of construction, the commercial and bungalow projects have been at mid-level of construction respectively as of March 31, 2021. 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 project has the required approvals in place.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

SPRCPL is projected to maintain an adequate level of cash inflow given its overall advanced stage of the project and the same is expected to increase gradually with increase in bookings which accelerate towards the end of the project with surge in realisations. Further, the company is likely to benefit from the resourcefulness of the promoters who have supported the project whenever necessary.

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



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(16 million square feet) at Perambur, Chennai, spread over 64 acres of land by name SPR city.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	63.32	31.04
EBITDA	(27.26)	(33.29)
PAT	(21.08)	(42.19)
Total Debt	737.99	754.35
Tangible Net worth	11.40	76.31
EBITDA Margin (%)	(43.05)	(107.25)
PAT Margin (%)	(22.78)	(69.59)
Overall Gearing Ratio (x)^	4954.13	11.50

Status of non-cooperation with previous CRA: Brickworks Ratings has maintained the rating of SPRCPL in “Issuer Not Cooperating” category and downgraded it further under same category on July 1, 2021, due to non-availability of adequate information to carry rating process.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)		
		Type	Amount outstanding (Rs. Crore)	Rating
1.	Term Loan	Long Term	645.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Proposed Term Loan	Long Term	275.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
3.	Proposed Bank Guarantee	Short Term	25.00	IVR A3 (IVR A Three)

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 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	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Term Loan	-	-	645.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
Proposed Long Term Bank Facilities- Cash Credit	-	-	275.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
Proposed Short Term Bank Facilities- Bank Guarantee	-	-	25.00	IVR A3 (IVR A Three)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/spr-construction-lenders-nov21.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Long Term Bank Facilities – Term Loan	Simple
2	Proposed Long Term Bank Facilities – Term Loan	Simple
3	Proposed Short Term facilities- Bank Guarantee	Simple