



Press Release

M/s Smart Developers

September 16, 2022

Rating

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	100.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	100.00 INR One Hundred Creore Only			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of M/S Smart Developers derives comfort from being a part of Darshanam group of Vadodara, Gujarat guided by experienced partners with established track record in the Real estate industry and its favourable project location. The rating also considers its comfortable project cost structure and favourable saleability of the projects which indicates revenue visibility in the future. However, these rating strengths are partially offset by its exposure to risks relating to cyclicity in real estate industry, exposure to project implementation risk and its partnership nature of constitution.

Key Rating Sensitivities:

Upward Factors

- Progress made in completion of the projects
- Minimum 90% of Sale of inventory at competitive rates

Downward Factors

- Significant delay in disbursement of committed lines of funding.
- Delay in completion of project leading to significant cost overruns.
- Lower than expected booking status.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- Established partner group with established track record



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The firm is a part of Vadodara based Darshanam group promoted by seven partners namely, Mr. Sunil Jagdishchandra and Mr Sumit Jagdishchandra Agrawal along with other partners viz. Mr. Anil Makkhanlal Agrawal, Mr. Amit Makkhanlal Agrawal, Mr. Kaushal Kumar Hazarilal Agrawal, Mr. Dilip Hazarilal Agrawal and Mr. Mukesh Jagdishprasad Agrawal, who carry rich experience of over two decades in the real estate sector.

- **Favourable project location**

The project “Darshanam Atrium” & “Darshanam Bliss” is located in Trsalali, Vadodara which is a developing area and is connected to all the main locations of Vadodara and other important business cities like Surat, Ahmedabad, etc. There are 168 residential units (3BHK Luxury Apartments) & 257 Shops/Offices in one tower of “Darshanam Atrium” & 286 residential units of 2BHK & 3BHK Flats in three towers of “Darshanam Bliss”.

- **Comfortable project cost structure & favorable salability**

Total estimated combined cost of the projects is Rs.175.90 crore, which is projected to meet through partners’ fund of Rs.47.26 crore (partners’ capital plus unsecured loans), term debt of Rs.100.00 crore, and customer advances of Rs. 28.64 crore. Debt equity ratio in terms to term loan to promoter's contribution is 0.70 times. Furthermore, as on March 31, 2022, partners have already infused Rs. 25.38 crore (~53.70%) of its proposed funding in the project, customer advances received of Rs.4.50 crore and debt availed remains at lower side at Rs. 6.71 crore.

- **Maintenance of DSRA and Escrow Account**

The revenue of the project the projects “Darshanam Atrium” & “Darshanam Bliss” will be routed through an escrow account maintained with the bank. The withdrawals from account will be as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses. M/S Smart Developers also maintains a DSRA equivalent to three months interest and principal repayments provides additional comfort over the repayments of interest/debt. Further, the repayments are to be started from January 2025 and presently the firm is having moratorium period.

Key Rating Weaknesses

- **Partnership nature of constitution**



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Given Smart Developers’ constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement or insolvency of the partners.

- **Project implementation risk**

The projects “Darshanam Atrium” & “Darshanam Bliss” are in their initial construction stage which indicate a high degree of project implementation risk. However, the Darshanam group has vast experience in real estate sector which imparts some comfort.

- **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. M/S Smart developers 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 \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

M/S Smart Developers is likely to benefit from the resourcefulness of the partners’ group and overall liquidity position is expected to remain adequate marked by satisfactory demand of its projects. Moreover, the firm is currently having moratorium period and the repayments will start from 2025.

About the Firm

M/S Smart Developers (SD), a Gujrat-based partnership firm which was established in March 2020 is engaged in real estate development in Vadodara. The firm was established by seven partners namely, Mr. Sunil Jagdishchandra and Mr Sumit Jagdishchandra Agrawal along with other partners viz. Mr. Anil Makkhanlal Agrawal, Mr. Amit Makkhanlal Agrawal, Mr. Kaushal Kumar Hazarilal Agrawal, Mr. Dilip Hazarilal Agrawal and Mr. Mukesh Jagdishprasad Agrawal. The firm is a part of Darshanam Group. Currently, the firm is developing two projects ‘Darshanam Atrium’ and ‘Darshanam Bliss’.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
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For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	-	-
EBITDA	-	-
PAT	-	-
Total Debt	6.11	17.90
Tangible Net worth	2.97	25.38
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Long Term Debt Equity ratio	0.62	0.71
Overall Gearing Ratio (x)	2.06	0.71
TOL/TNW	6.41	1.07
Interest Coverage Ratio (x)	1.00	1.00

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NIL

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan*	LT	100.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-

*Under Builder Finance for Residential Housing project scheme.

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About Infomerics:



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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.

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*	-	-	Dec 2026	100.00	IVR BBB-/ Stable

*Under Builder Finance for Residential Housing project scheme.

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Smart-Developers-sep22.pdf>



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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.