

Sheetal Infrastructure Private Limited

June 06, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	80.00	CARE BB; Stable [Double B; Outlook: Stable]	Reaffirmed
Total Facilities	80.00 (Rs. Eighty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of Sheetal Infrastructure Private Limited (SIPL) is constrained on account of project salability risk, high dependence on customer advances for debt repayment and subdued demand in the real estate sector. The rating however, derives strength from the promoter's experience and resourcefulness, significant project execution with diversified revenue stream from real estate development and lease rentals.

Going forward, timely execution and sale of the project alongwith realization of customer advances shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Project salability risk coupled with high dependence on customer advances for debt repayments: SIPL is developing a residential project by the name of "Sheetal Aqua" with a total salable area of 4.95 lsf to be executed by March 2018. Till March 31, 2017, the company had booked only 39% of total salable area. Furthermore, out of the total project cost 23% is to be funded through customer advances. Thus, debt repayments and construction of the project are highly dependent on fresh sales and timely receipt of remaining customer advances.

Industry Risk: The real estate sector is moving towards a more rational regime with developers now focusing on project execution and delivery. Furthermore, with the introduction of RERA Act, the sector will move ahead to transparent and credible measures with sustenance for organized players. Moreover, the expected renewed interest by the banks in funding the developers is likely to result in the timely completion of the projects. As per market sentiments the India Real Estate Market may not witness a sharp reversal in CY17 but its long term the growth prospects remain strong as the sector continues to remain troubled with issues of high unsold inventory.

Key Rating Strengths

Experienced and resourceful Promoters with established track record of operations: SIPL is promoted by Mr Paras Pandit who has an experience of about five years in the real estate sector. He has successfully executed two projects with a total salable area of 6.62 lsf prior to the incorporation of SIPL. The group has established track record for timely execution of the projects and has successfully completed five residential projects namely Vedika Exotika, Vedika Habitat, Vedika E-series, Vedika Happy Valley and Enigma with a total salable area of 13.42 lsf out of which 10.36 lsf was developed by SIPL. Moreover, the promoters of SIPL are quite resourceful and have been infusing funds into the business as and when required.

Additional revenue stream in the form of lease rent from reputed tenant: SIPL has entered into a lease rent agreement with a reputed organization for a period of 5 years which provides additional support to the company for timely servicing of its debt obligations.

Significant progress in project execution: SIPL is developing a residential project by the name of "Sheetal Aqua" with a total salable area of 4.95 lsf. The company is at advanced stage of project execution with 71% of the total project cost already incurred as on March 31, 2017 thereby reducing the project implementation risk to a certain extent.

Analytical approach: Standalone

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Sheetal Infrastructure Private Limited (SIPL) incorporated in the year 2005 and is engaged in the construction of residential apartments and commercial properties. The company is based out of Ahmedabad, Gujarat and is promoted by Mr Paras Pandit who has an experience of about five years in the real estate sector. He has successfully executed two projects with a total salable area of 6.62 lsf prior to the incorporation of SIPL.

The group has successfully completed five residential projects namely Vedika Exotika, Vedika Habitat, Vedika E-series, Vedika Happy Valley and Enigma with a total salable area of 13.42 lsf out of which 10.36 lsf was developed by SIPL. Further, the group has two ongoing projects namely "Casa Vyoma" which is being developed through a joint venture with Ajmera Realty and Infra India Limited and "Sheetal Aqua" which is being executed by SIPL.

"Sheetal Aqua" is a residential project located in Shahibaug, Ahmedabad with a total salable area of 4.95 lakh square feet (lsf).

During FY17 (provisional), SIPL reported at total operating income of Rs.14.83 crore with a PAT of Rs.1.08 crore as against a total operating income of Rs.15.75 crore with a PAT of Rs.2.31 crore during FY16 (A).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2022	80.00	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	80.00	CARE BB; Stable	-	1) CARE BB (06-Dec-16)	-	-

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