

Swagat Builders

April 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	73.50	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	1.47	CARE BB; Stable / CARE A4	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Swagat Builders is constrained on account of implementation and saleability risk associated with the on-going residential project considering its modest booking status and committed receivables when compared with pending construction cost and outstanding project debt. The rating also takes cognizance of firm's exposure to inherent risks associated with the real estate sector and its constitution as a partnership firm.

The rating, however, derives comfort from established track record of the promoters for more than two decades in the Surat real estate market, achievement of financial closure, moderate collection from sold units, favourable location of the project and availability of requisite permission/ approvals. The rating also takes cognizance of elongated moratorium period and the stipulation for creation of Debt Service Reserve Account (DSRA) equivalent to three months' debt servicing obligation before commencement of debt repayment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Satisfactory project progress as per scheduled implementation plan of the firm.
- Healthy bookings and collections during the construction phase resulting in lower than envisaged dependence on external borrowings for funding the project.

Negative factors

- Delay in project execution beyond scheduled timeline and/or cost overrun in project cost more than 20%.
- Slower than envisaged bookings of unsold units and/or delay in receipt of advances from booked units.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that, Swagat Builder shall be able to sustain its credit risk profile in medium term supported by established promoters experience in the Surat, Gujarat real estate market and favourable location of the project.

Detailed description of the key rating drivers:

Key weaknesses

Implementation risk associated with the on-going project: In September 2023, the firm has launched a residential project under affordable housing scheme in the of name "Swagat Callista" and is scheduled to be completed by December 31, 2029 (as per RERA). The project is being constructed on a land admeasuring 21,499 square meter (sq. mtr.) at total estimated cost of around Rs.180 crore, envisaged to be funded through partner's capital/ unsecured loans (USL), project term loan and customer advances in the ratio of 30:41:29.

Till April 14, 2024, the firm had incurred Rs.54.09 crore i.e. 30% of total estimated project cost, out of which, civil construction cost was around Rs.31.46 crore (i.e. 25% of total civil construction cost), funded by partner's capital/ USL of Rs.28 crore, term loans of Rs.16.49 crore and balance through customer advances/ project creditors. Timely completion within envisaged cost and time parameters shall remain a key rating monitorable.

Saleability risk associated with the on-going projects: The residential project is being developed under affordable housing scheme with configuration of 2BHK and 3BHK with total saleable area of 9.02 lakh square feet (lsf). Till March 31, 2024, the firm has received bookings for 94 units (comprises 15.56% of saleable area) at a sale value of Rs.31.58 crore, out of which Rs.4.54 crore has been received till April 14, 2024.

Moreover, committed receivable from sold units (Rs.27.04 crore) stood at 24% against pending construction cost and total outstanding debt as on April 14, 2024. Considering implementation stage, timely receipt of pending advances from sold units, sale of remaining units at envisaged prices and realisation of sale proceeds shall remain crucial from the credit perspective.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Constitution of the entity as a partnership firm: The credit risk profile of Swagat builders remain constrained by its partnership constitution wherein there is an inherent risk of withdrawal of the capital which may affect firm's financial flexibility in the eventuality of occurrence of such event.

Presence in cyclical real estate sector and interest rate fluctuation risk: The real estate sector in India is highly fragmented with many regional players, who have significant presence in their respective local markets which in turn leads to intense competition within the industry. This sector is also sensitive to the macroeconomic cycle and interest rates. Adverse movement in interest rate affects the real estate players in both ways – by hampering demand as well as increasing the construction cost.

Key strengths

Experienced partners with established track record of operations in Surat Real Estate Market: Swagat Builders is a part of Surat, Gujarat based Swagat group engaged in construction of commercial and residential real estate properties in and around Surat city for more than two decades.

The Swagat group has developed various residential and commercial projects admeasuring total saleable area of more than 26 lakh square feet (lsf) in and around Surat. Also, the group is executing more than 15 lsf of commercial and residential projects (incl. Swagat Callista) in Surat under multiple group entities.

The firm is benefited from distinct expertise of all the partners in real estate industry for more than 15-20 years. Mr. Pravin Asodaria and Mr. Upeshbhai Korat looks after overall management of the firm's operations and other partners looks after finance, marketing etc.

Achievement of financial closure: The firm has achieved financial closure for the entire debt of Rs.73.50 crore (41% of total project cost), out of which Rs.16.49 crore has been availed till April 14, 2024.

Favourable location of the project with availability of modern amenities and requisite approvals: The project plan is equipped with ample modern amenities and located at Bamroli, Surat, in proximity to Hospital, Schools, Shopping Mall, Temple, Multiplex, Airport, Railway Station etc. The project has received all requisite approvals i.e. height clearance from Airport Authority of India (AAI), environment clearance, NOC from fire department regarding design and drawings of project, building plan approvals and approvals clearances from RERA.

Liquidity: Stretched

The firm's liquidity remained stretched owing to moderate bookings and committed receivables of 24% from sold unit vis-à-vis pending construction cost and outstanding debt as on April 14, 2025. As on April 14, 2024, the firm had free cash & bank balances of around Rs.0.74 crore including Rs.0.50 crore maintained in Debt Service Reserve Account (DSRA) equivalent to ensuing three months of debt servicing.

Nevertheless, the project debt has long moratorium period of 48 months up to September, 2027. Also, the firm shall require to create DSRA equivalent to three months of debt servicing before commencement of debt repayment, will provide additional comfort for debt servicing in case of cash flow mismatch (if any).

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Swagat Builders was established as a partnership firm in April 2015, by the promoters of Swagat Group, Surat, Gujarat to undertake real estate operations. Presently, the firm is executing a project for development of residential units under the name

'Swagat Callista' on a land admeasuring 21,499 sq. mtr located at Bamroli, Surat, Gujarat (PR/GJ/SURAT CITY/ SUDA/ RAA12572/ 011123).

Brief Financials: Not meaningful being project phase entity.

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

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

Covenants of rated instrument/ facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	September, 2029	73.50	CARE BB; Stable
Non-fund-based-LT/ST		-	-	-	1.47	CARE BB; Stable/ CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	73.50	CARE BB; Stable	-	-	-	-
2	Non-fund-based-LT/ST	LT/ST	1.47	CARE BB; Stable / CARE A4	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Ujjwal Manish Patel Associate Director CARE Ratings Limited Phone: 079-40265649 E-mail: ujjwal.patel@careedge.in
	Ashi Mantri Lead Analyst CARE Ratings Limited E-mail: Ashi.Mantri@careedge.in

About us:

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