

## Satyam Infra

July 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE B+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Satyam Infra (SI) is constrained on account of high reliance on customer advances to fund its on-going project which has low booking status, its constitution as a partnership firm and exposure to inherent risks associated with the real estate sector.

The rating, however, derives comfort from established track record of partners in the real estate market, favourable location of the project, receipt of all requisite approvals and achievement of financial closure along with satisfactory project progress.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Healthy response from the customers and higher collection efficiency in terms of advance received as against booking done.
- Satisfactory project progress of the ongoing real estate project within envisaged cost and time parameters

#### Negative factors

- Cost overrun by more than 20% in completion of on-going project.
- Time overrun in execution of project by more than 6 months from scheduled date of completion

### Analytical approach: Standalone

### Outlook: Stable

The stable outlook reflects SI will continue benefit from the experience of its partners and established presence in the Rajkot real estate market along with favourable location of the project.

### Detailed description of the key rating drivers:

#### Key weaknesses

#### High reliance on customer advances and low booking status of its ongoing project

SI is developing a commercial project, "The Accord", having a total built-up area of 1.22 lakh square feet (Isf) and total carpet area of 1.06 Isf. The Accord's total estimated cost is Rs. 62.3 crore is envisaged to be funded by partner's contribution: debt: customer advances in the ratio of 26:32:42. As on June 30, 2024, the sales remains muted with firm having received only 2 bookings (1 shop and 1 office) and booking advance of Rs. 0.49 crore out of estimated sales value of around Rs.0.99 crore.

SI has incurred total cost of Rs. of Rs. 30.20 crore (48% of the total cost) as on June 30, 2024, which was funded through by Partners capital: Term loan: Advance from customers: Unsecured loans: Creditor funding in the ratio of 51:21:2:23:4. Considering the low sales velocity and high reliance on the customers advance, firm is exposed to the project execution risk.

#### Constitution as a Partnership firm

The credit risk profile of SI is constrained by its partnership constitution wherein there is an inherent risk of withdrawal of the capital by partners which may affect its financial flexibility in the eventuality of occurrence of such event.

#### Inherent risk associated with cyclical nature of real estate sector

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 cost of construction.

#### Key strengths

#### Established track record of partners in execution of real estate projects in Rajkot

SI is promoted by 15 partners who have well established track record in the Rajkot real estate market. The partners have developed 6 other projects in Rajkot (Gujarat) including residential and commercial schemes with total constructed area of around 12.24 Isf. The partners are supported by team of project managers, consultants, engineers for execution of the project.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Favourable location of the project and receipt of majority of requisite permissions/ approvals**

The project is situated on "Nana Mava Road" which is one of the prime locations in Rajkot. 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 all other clearances from RERA. SI has also achieved financial closure for the project debt of Rs. 20 crore in April 2024 and has availed term loan of Rs.6.31 crore till June 30,2024.

**Liquidity:** Stretched

The liquidity of the firm is stretched as reflected by low customer collection and sales velocity as against construction progress. Customer advances receivable as a percentage of total outstanding debt and balance construction cost as on June 30,2024 stood low at around 2%. Timely receipt of support from promoters in case of any cash flow mismatch due to delays in receipt of customer advances remains a key monitorable.

**Assumptions/Covenants:** 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](#)
**About the company and industry**
**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Satyam Infra (SI) was incorporated on 2nd January 2023 by the 15 partners to construct a commercial real estate project "The Accord" (PR/GJ/RAJKOT/RAJKOT/OTHERS/CAA12717/161123) which is located on Nana Mava Road, Rajkot, Gujarat. The project consists of 152 commercial units (44 shops and 108 offices) with a total carpet area of 1.06 lakh square feet. The partners have developed 6 other projects in Rajkot including residential and commercial schemes with total constructed area of around 12.24 lsf till date.

**Brief Financials:** Not applicable since it's a project phase entity.

**Status of non-cooperation with previous CRA:** Not applicable

**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
Term Loan-Long Term	-	-	-	01/09/2028	20.00	CARE B+; Stable

**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	Term Loan-Long Term	LT	20.00	CARE B+; Stable	-	-	-	-

LT: Long 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	Term Loan-Long Term	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](mailto:care@careedge.in) for any clarifications.

### Contact us

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