

## Shaligram Developers

August 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	17.50	CARE B+; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term / Short Term Bank Facilities	30.00 (Enhanced from 7.50)	CARE B+; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

In the absence of receipt of surveillance fees, in line with the extant SEBI guidelines, CARE Ratings Ltd (CARE Ratings) had placed the ratings of bank facilities of Shaligram Developers (Shaligram) into 'ISSUER NOT COOPERATING'. However, the entity has now paid the annual surveillance fees. Hence, CARE Ratings Ltd has carried out a full review of the ratings and the ratings stand at 'CARE B+; Stable/ CARE A4'.

The ratings assigned to the bank facilities of Shaligram remains constrained on account of implementation risk associated with on-going residential real estate project "Rudraksh Kingstone phase I". The ratings further continue to remain constrained on account of high dependency on customer advances for project implementation, pending partial debt tie-up and risk related to booking of remaining units, proprietorship nature of constitution as well as Shaligram's presence in cyclical and highly fragmented real estate industry.

The above ratings continue to derive comfort from experienced promoter and favourable location of the project.

### 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 as per envisaged cost and time parameters.

#### Negative factors

- Any delay in infusion of funds by promoter leading to delay in project implementation.
- Delay in project execution and decline in sales velocity.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the entity will derive benefit from proprietor's experience in real estate industry and expected fruitful realization on account of long back acquisition of the project land.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Project implementation risk associated with ongoing real estate project

Shaligram has started the construction of the project in October 2023 and is envisaged to be completed by January 2026. Till March 31, 2024, Shaligram has incurred cost of Rs.16.18 crore out of the total expected cost of Rs.223 crore for the project. Till March 31, 2024, 7% of cost has been incurred. With larger portion of cost to be incurred of ~93%, there exists project implementation risk.

##### High dependence on customer advances for project implementation

Shaligram has envisaged that out of the total project cost, 70% (~Rs.157 crore) to be funded through customer advances of which Rs.5.62 crore was received till March 31, 2024. Hence, high dependence on the customer advances for project funding may result into liquidity mismatches in case of non-receipt or delay in the receipt of the same. However, as articulated by the management, in the absence of envisaged bookings, the proprietor shall infuse additional funds to complete the project in a timely manner.

<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

**Dependence on external funding with partial pending debt tie-up and risk related to booking of remaining units**

Out of the total expected project cost of Rs.223 crore, 22% (Rs.50 crore) is expected to be funded through debt from the bank. Out of total project debt of Rs.50 crore, financial closure for proposed term loan of Rs.30 crore is yet to be achieved. Hence, with partial portion of debt tied up, there exist moderate funding risk. Further, ~7% (Rs.16.08 crore) of the project is to be funded through promoter's contribution of which the promoters have infused ~Rs.5 crore till March 31, 2024. With partial debt tie up and pending portion of infusion of promoter's funds the overall funding risk remains moderate.

Till March 31, 2024, the booking status of Shaligram remained low at 15% (47 units booked out of 311 units) with an advance amount of Rs.5.62 crore reflecting low booking status. Hence, Shaligram is exposed to risk related to sale of remaining units and timely receipt of booking advances.

**Presence in a cyclical and highly fragmented real estate industry**

The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Currently, slowdown in sales and increased input costs has increased liquidity concerns for highly leveraged players. Further, 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. The real estate sector is sensitive to the economic 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.

**Proprietorship nature of constitution**

Shaligram being a proprietorship firm is exposed to inherent risk of the proprietor's capital being withdrawn at the time of contingency and also limits the ability to raise the capital. The proprietor may withdraw capital from the business as and when it is required, which may put pressure on the capital structure of the firm.

**Key strengths****Experienced and resourceful promoter**

Shaligram was promoted by Mr. Devendra Chouksey who holds experience of more than two decades in real estate industry through his association with the entity since 2011 and dealing in real estate industry through buy and sell of land. He has successfully executed two real estate projects at different areas of Bhopal (M.P) namely Rudraksh Park Phase- I and Rudraksh Park Phase- II.

**Location advantage**

Shaligram's on-going project is located at Kolar Road, Bhopal which is rapidly developing area of the city. The area is well connected to the adjoining places. Shri Ram Colony Railway Station is the nearest station from this place. The area has some companies nearby the vicinity like The Great India Place Bhopal and Fame Production India offering a number of job options to the residents. The nearby schools and colleges in the vicinity includes IIPM, Mansarovar Group of Institution and St Josephs Co ed School. The presence of many schools, colleges, hospitals, banks and ATMs in this area has resulted in making it a preferred residential destination.

**Liquidity: Stretched**

The liquidity profile of Shaligram remains stretched owing to early stage of project execution, pendency of financial closure of 60% of project debt and receipt of low booking advances till March 31, 2024. The booking advances as percentage of total committed sales value remains moderate at around 11% (Rs.5.62 crore received as advance as against total sales value of Rs.50.51 crore) till March 31, 2024. The committed receivables from sold inventory stood at Rs.44.89 crore, forming only 21% of total pending construction cost and outstanding debt. However, undrawn loan of Rs.14.40 crore as on March 31, 2024 and expected tie-up of remaining debt shortly is likely to provide cushion to its liquidity position during the construction phase.

**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

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

Bhopal (Madhya Pradesh) based, Shaligram Developers is a proprietorship firm formed in February - 2011 by Mr. Devendra Chouksey to execute real estate projects in Bhopal, Madhya Pradesh. The overall operations and management of firm are managed by the professional designated teams under the supervision of the proprietor. Shaligram is currently under process of executing a residential project named 'Rudraksh Kingston Phase I' involving construction of a residential complex consisting of 311 residential flats and villas with a saleable area of 5.70 lakhs square feet offering amenities such as garden, temple, swimming pool, gym, party hall, badminton court and club house with amenities such as library, co working space, table tennis court, squash room etc. The total expected project cost is Rs.223.01 crore to be funded in the ratio of Debt: Equity: Customer Advances (3:27:70). The construction of the project commenced from October-2023 and it is expected to be completed by January-2026.

**Brief Financials:** Not meaningful being real estate 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31-05-2030	17.50	CARE B+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	30.00	CARE B+; 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	17.50	CARE B+; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (07-Aug-24)	1)CARE B+; Stable (24-May-23)	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	30.00	CARE B+; Stable / CARE A4	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (07-Aug-24)	1)CARE B+; Stable / CARE A4 (24-May-23)	-	-

\*Issuer did not cooperate; based on best available information.

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	Fund-based/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](mailto:care@careedge.in) for any clarifications.

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### About us:

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### Disclaimer:

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