

## Shribalaji Smartbuild LLP

January 03,2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	70.00	CARE BB+; Stable	Upgraded from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in the rating assigned to the bank facilities of Shribalaji Smartbuild LLP (SBS) factors healthy sales velocity and satisfactory project progress of Sharnam Heights resulting in comparatively low saleability risk.

Rating is however constrained on account of implementation risk of Sharanam Saffron, its constitution as a partnership firm and exposure to inherently cyclical real estate sector and geographical concentration in a single micro market.

Rating, however, derives comfort from established track record of the promoters in the Rajkot real estate market, favourable location of the projects, receipt of all requisite approvals and healthy sales momentum

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

#### Positive factors

- Satisfactory project progress as per scheduled implementation plan for Sharanam Saffron.
- Higher collection efficiency against bookings and timely completion of both the projects.

#### Negative factors

- Significant time and cost overrun by more than 15% in completion of on-going projects.
- Delay in receipt of advances from booked units and/or slower than envisaged bookings of unsold units and collection therefrom.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects promoters experience in real estate industry and an expectation of satisfactory progress considering achievement of financial closure and favourable location of the property.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Implementation risk associated with a residential cum commercial project Sharanam Saffron

SBS has launched Sharanam Saffron in December, 2022, with total saleable area of 2.29 Isf. The total cost of the project is estimated at Rs.88.48 crore was to be funded by partners' contribution: debt: customer advances in the ratio of 34:45:21.

However, as on Sep 30,2024 cost of Rs. 62.81 crore is incurred which is funded through promoter's fund: term debt: customer advances: project creditors in the ratio of 15:38:45:2. Out of the project debt of Rs.40 crore around Rs.24 crore of project debt has been availed till September 30, 2024. As articulated by the management, further drawdown of the term loan is less likely due to healthy sales and receipt of the customer advance. Timely completion of the projects within envisaged cost shall remain a key rating monitorable.

#### Constitution as a limited liability partnership firm

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

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

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. 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.

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

## Key strengths

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

The promoters have track record of more than a decade in executing residential cum commercial real estate projects in Rajkot, Gujarat. The promoters have executed various real estate project on contract basis and recently developed two real estate projects (residential cum commercial projects) with saleable area 5.80 lsf as a developer. The group, however, is exposed to geographical concentration risk as its operations remain concentrated in Rajkot region. Nevertheless, regional concentration has helped promoters to focus on execution and timely completion of projects in the city and to establish a brand name for the group.

### Satisfactory progress in residential cum commercial project i.e. Sharanam Heights

SBS is developing two residential cum commercial projects i.e. Sharanam Heights and Sharanam Saffron. SBS has launched Sharanam Heights in June, 2022 with total saleable area of 1.95 lsf. The total cost of the project was estimated at Rs.58.22 crore and was envisaged to be funded through partners' contribution: debt: customer advances in the ratio of 31:52:17. However, due to healthy sales response, receipt of customer advance was higher than envisaged level. It has incurred cost of Rs. 59.80 crore as on Sep 30,2024 which is incurred through promoter's fund: term debt: customer advances: project creditors in the ratio of 28:36:33:3.

As on September 30, 2024, construction progress is around 95%. Out of for the project debt of Rs.30 crore has been achieved and Rs. 22 crore was disbursed till Sep 30,2024. The project is on verge of completion and management expects to complete the same well within envisaged cost and timelines parameters.

### Reduction in saleability risk associated with on-going projects

Till September 30, 2024, SBS has received bookings for 187 units (Sep 30,2023: 107 units) in Sharanam Heights (~54% of total inventory) and 229 units (Sep 30,2023: 79 units) in Sharanam Saffron (~61% of total inventory). The sales velocity in both the projects remained healthy since inception. The firm has received collection of ~54% of the sales value in Sharnam heights and ~49% of sales value in Sharnam Saffron. Considering the same, timely receipt of pending advances from sold units, sale of remaining un-sold units at envisaged prices and realisation of proceeds therefrom remains crucial from the credit perspective.

### Liquidity: Stretched

SBS's liquidity remained stretched marked by moderate collection efficiency. Booking advances as % of total sales value remains moderate at 51% (Rs. 47.96 crore received against total sales of Rs. 94.40 crore) despite one of the projects near completion. As on September 30, 2024, SBS is yet to receive customer advances of Rs. 46.44 crore from sold inventory resulting in moderate percentage committed receivable of 68% (Sharanam Heights – 71% and Sharanam Saffron - 67%) against pending construction cost and total o/s debt. As on September 30, 2024, SBS had low cash and bank balances of Rs.0.50 crore. However, as per sanction terms, SBS is require to maintain DSRA equivalent to one quarter of debt servicing before commencement of debt repayment (incl. interest and principal).

### Assumptions/Covenants: Not applicable

### 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](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Shribalaji Smartbuild LLP (SBS) was incorporated in July 2021 by Mr. Anil Moridhara, Mr. Pravin Moridhara, Mr. Haresh Moridhara, Mr. Jaydeep Tank and Mr. Shreeraj Gondalia for development of residential cum commercial properties at Rajkot, Gujarat.

Presently the firm is developing two projects namely Sharanam Heights (PR/GJ/RAJKOT/RAJKOT/Rajkot Municipal Corporation/ MN141AA10041/ 300722) and Sharanam Saffron (PR/GJ/RAJKOT/RAJKOT/Other/ MAA11541/310323) at Rajkot with an aggregate saleable area of around 4.24 lakh square feet (lsf). Both the projects are envisaged to be completed by the end of December, 2027 as per RERA.

**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:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	May, 2027	70.00	CARE BB+; Stable

#### Annexure-2: Rating history for 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	70.00	CARE BB+; Stable	-	1)CARE BB; Stable (27-Oct-23)	-	-

LT: Long term

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

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

#### Annexure-5: Lender details

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

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

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### About us:

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