Shalimar Corp Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	251.78 (Enhanced from 216.19)	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	105.00	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Shalimar Corp Limited (SCL) factors in the experienced promoters and management, moderate sales and collection momentum for real estate projects, satisfactory project progress in Hybrid Annuity Model (HAM) project, moderate capital structure, escalation clause in all the EPC contracts and reputed client base and modest order book position providing fair medium- term revenue visibility.
The ratings, however, continues to remain constrained due to corporate guarantees given on behalf of subsidiaries, lower sales velocity in Shalimar Gallant West project, high reliance on customer advances, execution and saleability risk for ongoing projects, inherent risk associated with Real Estate sector and intense competition in the construction sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to achieve increased collection efficiency to more than ~12 crore per month on an average from ongoing projects.
- Increase in scale of operations of EPC segment above Rs. 450 crore over the medium term on sustained basis
- Improvement in the committed receivable coverage ratio above 60%, on sustained basis.

Negative factors

- Slowdown in the sales momentum or major delay in realization of customer advances of the on-going projects
- Any significant debt funded projects impacting the capital structure with overall gearing above 1.5 times on sustained basis

Analytical approach:

Standalone

Outlook: Stable

The "Stable" outlook reflects that entity is likely to sustain its sales and collection momentum from the ongoing real estate projects, moderate order book position with timely execution of HAM project while maintaining its operating performance as reflected by moderate scale of operations and adequate liquidity position.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters and management

The promoters are well-qualified and possess vast of experience in the construction and real estate industry. Mr. Khalid Masood is the Managing Director of the company. He, along with Mr. Kunal Seth (Director) manages project execution. Mr. Mohd Abdullah Masood (Director) looks after the contract division. The promoters are MBA by qualification and have more than a decade of experience in the company. They are ably supported by professional management team which has several years of experience in several corporates.

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

Moderate sales and collection momentum

The company has shown moderate sales and collection momentum for its ongoing projects. As of December 31, 2024, SCL has sold approximately 50% of the total saleable area. Customer advances collected amount to ₹94 crore, which is 26% of the sale amount, with an additional Rs.266 crore in receivables from sold inventory and Rs.508 crore from unsold inventory.
In the past 12 months, the company completed two projects, "Shere Shalimar Mannat Extension" and "Shere Shalimar Mannat Extension -2," which are nearly fully sold, with only 2% of the inventory remaining. The company has collected 98% of the receivables for these projects as of December 31, 2024.
The recently launched project "Twenty One," introduced in July 2024, has witnessed sale of around 40% of its area and collected ₹174.04 crore in six months (July 2024 to December 2024). However, only 16% of the project cost has been incurred, and the project heavily relies on customer advances.
Therefore, the timely receipt of customer advances in line with the construction pace is crucial from a credit perspective, as only 43% of the committed receivables from sold units are available to cover the remaining construction costs.

Satisfactory project progress in Hybrid Annuity Model (HAM) project

The company is undertaking HAM Project for the development of Six Lane Jhanki -Sargi Section of NH-130-CD Road from Km 00+000 to Km 42+800 under Raipur -Visakhapatnam Economic Corridor in the state of Chhattisgarh.
The work is 94% completed by Feb 2025 and the company has received provisional completion certificate for the same on completion of 90% milestone.
The project is expected to be fully completed by June 2025, after which NHAI will begin annuity payments, thereby mitigating execution risk in the project model.

Moderate capital structure

The overall debt of the company pertains to ongoing real estate projects and EPC business. The overall gearing stood at 0.51x as on March 31, 2024 (PY: 0.39x). The slight deterioration is on account of term loans and unsecured loans infused by the company for its real estate projects.

Escalation clause in all the contracts

The company's raw material consists mainly of steel and cement having 100% escalation clause which are procured from SAIL (directly), TATA Steel (through distributors), Ambuja cement (directly) and Ultratech cement (directly). The company has inbuilt price escalation clauses in all its contracts to insulate the company from any adverse fluctuation in raw material prices. This enables the company to pass on the increase in raw material prices to its customers. Ability of the company to pass on increased price burden to the customers in a timely manner and maintain profitability margins is critical from the credit perspective.

Reputed client base and modest order book position providing fair medium- term revenue visibility

As on Feb 28, 2025, SCL was having an unexecuted order book of Rs. 770 crore. This is 2 times the EPC revenue booked by the company of Rs. 391.62 cr in FY24 (PY: Rs.264.15 crores), indicating a healthy order book position. The order book is diversified across urban infrastructure, construction of township, commercial space development and railways. Its client base includes BHEL, NTPC, Ghaziabad Development Authority (GDA), Lucknow Development Authority (LDA), Jabalpur Municipal Corporation.

Key weaknesses

Corporate guarantees given on behalf of subsidiaries

Shalimar Corp Limited (SCL) has given corporate guarantee of Rs. 694.21 crore on behalf of its subsidiaries which is 110% of its tangible net worth as on March 31, 2024.
Corporate guarantee given for **Shalimar Malls Private Limited** stood Rs.100.03 crore as on March 31, 2024. It was a construction finance loan of ₹130 crore taken for the mall, which was outstanding last year, has been converted into a Lease Rental Discounting (LRD) loan of ₹100.03 crore (₹95.00 crore LRD and ₹5.03 crore Bank Guarantee) from Punjab National Bank. The mall, completed three years ago, is now 75% leased out, generating an average monthly rental income of ₹1.8 crore.
Additionally, surplus cash flows will come from the hotel, operated by "Sarovar Portico," which became operational in June 2024. The hotel has an occupancy level of 60% and generates an average monthly revenue of ₹2-3 crore. The term loan will be repaid in 180 ballooning installments, starting from ₹2-5 lakh monthly, with a maturity date in November 2039.

Another major guarantee has been given for **Hybrid Annuity Mode (HAM)** project which stood Rs.509.18 crore as on March 31, 2025. Out of Rs.509.18 cr, Rs.31 crores is the performance bank guarantee. The loan amount has since been reduced to ₹454.14 crore, with no performance bank guarantee as of December 31, 2024. The original loan for the HAM project was ₹478 crore (now ₹454.14 crore) at an interest rate of 9.7% per annum, to be serviced through annuity payments from NHAI. The project is expected to be fully completed by June 2025, after which NHAI will begin annuity payments, and the corporate guarantee of ₹509.18 crore will be waived from June 2025 onwards.

Lower sales velocity in Shalimar Gallant West project
It is a luxury residential project and therefore demand for such a segment is comparatively low as it caters to a high -class segment. As on Dec 31, 2024, the company has been able to sell 1.10 lsf area i.e only ~37% (PY:35%) of the saleable area for sales value of Rs.101 crores for which only ~45% has been received. Therefore, the project pertains to saleability risk. However, the company has taken construction finance loan of Rs.65 crores for the project for which the repayment will commence from Sep 2026 thereby alleviating any early cashflow strain.

High reliance on customer advances
The promoters have invested in all the 3 projects of SCL for purchasing land and the project is expected to rely on customer advances for debt repayment and for balance construction. As of December 31, 2024, the company has committed receivables of ₹266 crore, covering only 42% of the remaining project cost and outstanding debt.
Out of the three projects, two are at a moderate stage of implementation. Therefore, the timely receipt of customer advances, aligned with the construction pace, remains crucial from a credit perspective.

Execution and saleability risk for ongoing projects
As of December 31, 2024, the company is executing three residential projects. At an aggregate level, the company still needs to incur 75% of the total cost, amounting to ₹488 crore. The company has sold 4.08 lakh square feet (lsf), which is approximately 50% of the total saleable area of 8.54 lsf, for a sale price of ₹360 crore and has received ₹94 crore. The unsold area stands at 4.46 lsf, or 52% of the total saleable area.
Currently, "Shalimar Gallant West" and "Twenty One" are the major ongoing projects, launched in October 2022 and May 2024, respectively. Given the early stages of construction, there is a construction risk along with the need for regular funding.
The company will significantly rely on customer advances, in addition to debt (22% of the total project cost), to execute the ongoing projects. With a substantial portion of the cost yet to be incurred and a major portion of some projects yet to be sold, the projects remain exposed to execution and off-take risks.

Inherent risk associated with Real Estate sector
For Real Estate sector, with consumers becoming more discerning, ready-to-move-in homes will be the main demand drivers in the coming period as well. Developers will continue to focus on reducing their present inventory, before launching new projects. The developer's track record, quality of construction and delivery timelines, will be crucial aspects that home buyers will consider, in their purchase decisions. With RERA in place, the investment environment is also expected to improve. The expected capital inflow would help the segment.

Intense competition in the construction sector
Another business segment of SCL is civil construction, which is highly fragmented and competitive in nature with large number of players leading to aggressive biddings. The sector is also marred by various other challenges on account of economic slowdown, regulatory changes and policy paralysis which has adversely impacted the financial and liquidity profile of players in the industry. Government of India has undertaken several steps for boosting the infrastructure development and revive the investment cycle. The same has gradually resulted in increased order inflow and movement of passive orders in existing order book. Going forward, companies with better financial flexibility would be able to grow at a faster rate by leveraging upon potential opportunities.

Liquidity: Adequate
Liquidity profile of company is aided by sufficient cash generation from the real estate business vis a vis repayment obligation. Adequate liquidity is reflected by moderate customer collection and sales momentum. The company has cash and bank balance of Rs. 4.27 crore along with free FDR of Rs.43.44 crore as on December 31, 2024. In the past 12 months ended Dec 31, 2024, SCL has been able to garner collections of Rs.70 crore with an average monthly collection of ~Rs.6 crore per month. Apart from this the company has regular rental income of ~Rs.8 crore per annum.
The EPC segment is working capital intensive reflected from high unbilled and debtor holding level. The current ratio stood 1.58x as on March 31, 2024 (PY: 1.60x). Utilization of working capital limits of SCL for the EPC division has been around 85% in trailing twelve months ended Jan'25.

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
Construction 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

SCL, incorporated in August 1988, is a real estate development company operating in Lucknow and Delhi NCR. The company is also a civil contractor involved in design, procurement, building and handover of urban infrastructure, residential township, commercial area for various government departments in Noida, Ghaziabad, Lucknow, Chhattisgarh and Madhya Pradesh. The company has already developed 96.36 lsf of commercial and residential real estate space in Lucknow in the past. The company has 3 ongoing real estate projects located in Lucknow with total saleable area of 8.54 lsf along with order book in hand of Rs.770 crore as on February 28, 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	412.41	544.33	NA
PBILDT	34.73	43.33	NA
PAT	27.99	30.62	NA
Overall gearing (times)	0.39	0.51	NA
Interest coverage (times)	1.02	1.45	NA

A: Audited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Infomerics has continued the ratings assigned to the bank facilities of Shalimar Corp Limited to the "Issuer Not Cooperating" category vide its press release dated October 16, 2024 on account of its inability to carryout review in the absence of requisite information from the company

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	76.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	February 2030	175.78	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	105.00	CARE BBB; Stable / CARE A3+

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	175.78	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Feb-24)	-	-
2	Fund-based - LT-Cash Credit	LT	76.00	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Feb-24)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	105.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (14-Feb-24)	-	-

LT: Long term; LT/ST: Long term/Short 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-Cash Credit	Complex
2	Fund-based - LT-Term Loan	Complex
3	Non-fund-based - LT/ ST-Bank Guarantee	Complex

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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