



Rating Rationale

SRK APARTMENTS

22 Feb 2018

Brickwork Ratings assigns ratings for the bank loan facilities of SRK Apartments ('the Firm').

Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	Assigned rating
Fund Based Term Loan (O.S)	15.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Total	15.00 Crores (INR Fifteen crores Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR has assigned long term Rating of BWR B+ for the long term bank loan facilities of SRK Apartments

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the rating of SRK Apartments (SRKA or 'the Firm'), engaged in the real estate development of residential flats, BWR has essentially relied upon the Firm's audited financial results upto FY17, available information and clarification provided by the company.

The rating draws strength from the promoter's established track of about 20 years, comfortable liquidity position and moderate gearing besides registration with RERA. The rating, however, factors in the small scale of operations, poor debt service indicators, small capital base, negative net profit margins, high financial risk profile and partial project completion status, as also the risks inherent to real estate projects.

Credit Weakness:

1. Small scale of operations with revenues of Rs 8.88 crores and net loss of Rs 0.77 crores in FY17.
2. The Firm had small capital base of Rs 5.63 crores in FY17, as against total promoters contribution of Rs. 10.65 crores in the project.
3. Net loss in net profitability margins of 8.66% in FY17.
4. The project is partially complete and partially sold; there is high dependence on customer receipts for funding the project.
5. Intense competition from other players in the vicinity which is likely to affect sales.

Credit Strengths:

1. Long standing experience of the promoters more than 20 years in the same line of business which has helped to establish strong relationships with customers.

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2. Moderate gearing with TOL/TNW of 1.65x in FY17.
3. Comfortable liquidity position with current ratio of 1.72x in FY17.
4. The project is registered under RERA.

Rating Outlook: Stable

BWR believes the *SRK Apartment's* business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company

SRK Apartments is a partnership concern based in Zirakpur. The Firm was established in 16.04.2014 and is engaged in real estate construction of flats. The Firm is managed by both the partners, Mr. Sanjeev Khanna and Mr. Amit Nanda. SRK Apartments is a sister concern of Golden Sand Apartments, which is also constructing residential flats in the same complex. The Firm has started a residential housing project in the name of Golden Sand with tower 'E' (96 flats) at Village Gazipur, Zirakpur. Total cost of project is Rs 40.92 crores which is proposed to be funded by promoters equity of Rs 10.65 crores, unsecured loans of Rs 4.50 crores, advances from customers/ internal accruals of Rs 10.77 crores and debt/bank term loan of Rs 15 crores. The Firm has incurred cost of Rs. 10.83 crores as on the 31 March 2017. Total sales realisation is projected at Rs. 45.54 crores.

Company Financial Performance

Total operating income (TOI) has improved from to Rs 18.22 Cr in FY16 to Rs.25.60 Cr. in FY17. PAT has improved from Rs 0.52 Cr in FY16 to Rs. 0.65 Cr in FY17.

Key Financial Ratios

	FY16	FY17
Net Sales/Revenues	NA	Rs 8.88 Cr
EBIDTA	NA	Rs -0.04 Cr
PAT	NA	Rs -0.77 Cr
Tangible Networth	Rs. 5.60 Cr	Rs.5.63 Cr
Total Debt : TNW	0.19 times	0.21 times
Current Ratio	6.94 times	1.72 times

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY 2018)			Rating History	
		Type	Amount (Rs Crs)	Rating	FY 2017	FY2016
1	Term Loan (O.S)	Long Term	15.00	BWR B+ Outlook : Stable	NA	NA
		Total	Rs 15.00 (INR Fifteen Crores Only)			

* FY refers to the period from 1st April to 31st March each year

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Infrastructure](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings



Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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