



## Rating Rationale

### Shiv Sabari Developers

3 Oct 2018

Brickwork Ratings assigns the rating for the bank loan facilities of Shiv Sabari Developers.

## Particulars

Facilities Rated	Tenor	Amount (Rs. Crs)	Present Rating*
Fund Based			
Term Loan	Long Term	170.00	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
Total		170.00	(INR One Hundred Seventy Crores Only)

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

BWR has principally relied upon the audited financial results of FY16-FY17, Provisional financials of FY18, publicly available information and information/clarification provided by the firm's management.

## Long Term Rating at BWR BB+ (Outlook: Stable)

### Rationale:

BWR's ratings factor in the long term experience of the partners in the residential real estate segment, favourable location of the projects and receipt of all required approvals. However, the ratings are constrained by implementation risk associated with the ongoing project, revenue risk as the firm has sold only ~45% of the total saleable area as of Sep-2018, susceptibility of the firm debt servicing ability to timely sales and inherent risk associate with the real estate industry.

### Key Rating Drivers:

- Strategic Location of the project and Requisite approvals for the project in pace:**  
 The firm is developing two projects viz; Sabari Gardens Tower 1-Residential Project and Sabari Park-Commercial Project. Both the projects are situated at Sion Trombay Road, diagonally opp R.K. Studio, Chembur which is at prime location in Mumbai from where commuters can travel to all three suburb of Mumbai i.e. Central, Harbor & Western. The

project has all the necessary approvals in place and has been registered with the Maharashtra Real Estate Regulatory Authority.

- **Stage of the Project and Cost Incurred:** The residential project is supposed to be funded by ~37.5% bank loan, ~22.15% promoters funding and ~40.33% customer advances. The residential project as on June-2018 is in the early stage with ~23% cost incurred till June 2018. The commercial project is supposed to be funded by ~34.76% bank loan, ~13.33% promoters funding and ~51.91% customer advances. The commercial project as on June-2018 is in the middle stage with ~55% cost incurred till June 2018. As of June 2018, out of the total promoters contribution for both the projects which is around Rs. 67.04 Crs, ~Rs. 35 Crs has been incurred which comes to ~52% of total promoters funding.
- **Exposure to execution Risk for the remaining portion of the project work:** The firm has completed 14% of the construction work for the residential project and ~38% of the construction work for the commercial project, completion of the remaining project work within the expected timelines and without any significant time and cost overrun remains critical.
- **Exposure to Market risk for the remaining unsold portion and Inherent risks in the real estate industry:** The firm has sold 39 units out of the total 75 units for residential project and 40 units out of the total 109 units for the commercial project. The real estate segment is volatile, resulting in fluctuations in cash flows on account of volatility in realization and sales. Cash out flow for the project and debt obligation are relatively fixed which can lead to substantial cash flow mismatch. Maintaining the sales velocity and pricing as envisaged and healthy collection efficiency remain critical for achieving desired profitability and avoiding cash flow mismatches.

The ability of the firm to complete the project as envisaged within the stipulated costs, sell the remaining area and collect the receivables from the customers promptly shall be the key rating sensitivities. Further, it is imperative for the firm to ensure adequate and timely cash flows to the escrow account to meet the debt obligations for the projects.

### **Rating Outlook: Stable**

BWR believes the **Shiv Sabari Developers** 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 'Negative' if the sales collection level decreases vis-a-vis the projected levels.

### **Analytical Approach:**

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

**About the Firm:**

Established in 2006, Shiv Sabari Developers (SSD) is a partnership firm having its office at 4, Ujagar Industrial Estate, Waman Tukaram Patil Marg, Deonar, Mumbai is a part of Sabari Group. Sabari Group is having over two decades of experience in the Real Estate industry and the group has executed close to 22 projects since inception with most of the projects being in Chembur.

**About the Project:**

SSD is developing two projects viz; Sabari Gardens Tower 1-Residential Project and Sabari Park-Commercial Project. Both the projects are situated at Sion Trombay Road, Diagonally opp R.K. Studio, Chembur. Total plot area of the project is 19,916 sq meters. The plot is 100% owned by the firm and the projects have all the necessary approvals in place and have been registered with the Maharashtra Real Estate Regulatory Authority. Sabari Gardens Tower 1 (RERA no.): P51800011606 and Sabari Park (RERA no.): P51800007144. The total cost of project for Sabari Gardens Tower 1 is of Rs. 186.6 Crs and for Sabari Park is of Rs. 192.75 Crs.

**Rating History for the last three years:**

Sl. No.	Instrument/Facility	Current Rating (Sep-2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Term Loan	Long Term	170.00	BWR BB+ Outlook:Stable	NA	NA	NA
Total			170.00	( INR One Hundred Seventy Crores Only)			

**NA: Not Available**

**Status of non-cooperation with previous CRA (if applicable): Reason and comments:** Not Applicable  
**Any other information:** NIL

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)



Analysts	Media
Ravindra Kumar General Manager – Ratings  <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>  <b>Relationship Contact</b> <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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