

## Rating Rationale

### Shree Sai Lifestyles

9 Mar 2018

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**Brickwork Ratings assigns BWR BB- for the Bank Loan Facility of Rs. 10.00 Crs of Shree Sai Lifestyles**

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#### Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating^
<b>Fund Based</b> Term Loan	10.00	Long term	<b>BWR BB-</b> (Pronounced BWR Double B Minus) Outlook : Stable <b>Assigned</b>
<b>Total</b>	<b>10.00 (INR Ten Crores Only)</b>		

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

# Annexure-I provides details of bank facilities

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the CA certified financials of Shree Sai Lifestyles ('SSL' or the Firm) upto FY17, projected financial statements upto FY22, publicly available information and information/clarifications provided by the management.

The rating draws strength from the partners' experience in the civil construction industry, strength derived from related entities engaged in a similar line of business, locational advantage of the upcoming mall project and present progress of the project. The rating is constrained by competition from larger players, project completion risks, susceptibility to cyclicalities in the real estate sector and delays/ variations in rental income and targeted sales of mall space.

Going forward, the firm's ability to complete the project as per the proposed timeline without any cost overruns, ensure successful marketing of the retail space at projected sale prices and lease rentals, achieve the projected occupancy levels and ensure timely cash inflows would be the key rating sensitivities.

#### Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

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## Key Rating drivers

- **Partners' experience**

The firm's partners have experience of more than a decade in the real estate development business. They are also partners in other entities in similar line of activity. These firms have an established track record of executing projects in Indore.

- **Customer advances and Project Status**

SSL has received a booking amount of approximately Rs. 9 Crs as at 31st December 2017. Advance rental of Rs. 0.15 Crs has been received from PVR Cinemas in FY17. As on 31st December 2017, partners have contributed capital of Rs. 13.37 Crs and also brought in unsecured loans of Rs. 4.40 Crs from friends and family. Mall area would be approximately 100000 sq feet and would also have a 3 layer parking. Super markets, departmental stores, showrooms, restaurants and entertainment zones would be housed up to the first floor. Office spaces are proposed on the second and third floors. Also, an MOU has been entered into with PVR Cinemas for leasing out mall space on the fourth floor. As of February 27, 2018 approximately 60% of the total construction has been completed.

- **Locational advantages**

The mall project is located at a prime location in Indore and is in close vicinity to a major township, educational institutes, hospitals, hotels and temples. Major townships are located around the mall which would ensure adequate footfall such as - Shalimar Palms, Kalindi Kunj, Sahil Siddhivinayak, Grande Exotica (Mchugh Group), Agarwal Public School etc.

- **Susceptibility to risks related to project completion**

SSL's business risk profile is susceptible to risks related to completion, delayed sales/ bookings which affect the saleability of mall space. The firm is yet to enter into any agreements for sale of mall space. SSL's ability to achieve targeted occupancy levels and achieve sales of its mall space would be key to its debt servicing ability.

- **Industry risks and Competition**

The firm's business risk profile is susceptible to risks related to cyclical in the Indian real estate industry. The real estate sector in India is experiencing a short term slowdown with decline in new launches, high level of unsold inventory, and expected price rationalization on account of recent policy measures such as GST and RERA. SSL also faces competition from other established real estate developers in the region, as it is not a Tier I developer.

## Rating Outlook : Stable

BWR believes that Shree Sai Lifestyles' 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 of significant improvements in cash accruals driven by stable occupancy rate in the mall and significant increase in rentals. Conversely, the rating outlook may be revised to 'Negative' if there are significant delays in execution and sale/ bookings of the project, which affect the cash flow and thereby weaken the financial risk profile.

**About the Firm**

Shree Sai Lifestyles was established as a partnership firm in 2015 at Indore. It is engaged in real estate development. The partners of the firm are Mr. Shyam Chugh, Mr. Nitin Chugh, Mr. Sumit Motiramani, Mr. Rohit Motiramani and Mr. Sumit Mantri.

The firm has a single ongoing project at Indore. SSL is currently undertaking the construction of a shopping mall cum commercial complex named the ‘Zodiac Mall’ at Indore. The project is proposed on a land area of approximately 55000 sq feet, of which saleable area is 127486 sq feet. The mall is expected to have around 166125 sq feet built up area comprising of showrooms, shops and multiplex. Mall area would be approximately 100000 sq feet and would also have a 3 layer parking. Super markets, departmental stores, showrooms, restaurants and entertainment zones would be housed in the Zodiac Mall. The primary source of revenue would be by sale of space to retail clients for commercial and/ or office usage. Ancillary income would also be derived from the leasing of space to PVR Cinemas for multiplex. Construction has been commenced in April 2017 and is proposed to be completed by September 2018.

**Financial Performance**

Project implementation is still in progress and revenue is yet to be recognized for the ongoing project. SSL’s partners’ funds stood at Rs. 12.97 Crs excluding unsecured loans of Rs. 1.80 Crs as on 31st March 2017. The total estimated cost of the project is Rs. 44.50 Crs to be funded by Partners’ capital of Rs. 15.00 Crs, unsecured loans of Rs. 7.50 Crs, customer advances of Rs. 12.00 Crs and Term loan of Rs. 10.00 Crs.

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

Instrument/ Facility	Current Rating (March 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
<b>Fund Based</b> Term Loan	Long term	10.00	BWR BB- (Outlook : Stable) Assigned	Not Rated	Not Rated	Not Rated
	<b>Total :</b>	<b>10.00</b>	<b>INR Ten Crores Only</b>			

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Hyperlink/Reference to applicable Criteria:**

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

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**Shree Sai Lifestyles**  
**Annexure I – Details of Rated Facilities**

Bank Facilities	Rated Amount (Rs. Crs)
Punjab National Bank, MCB, Siyaganj, Indore	
<b>Fund based (Long term)</b> Term Loan <sup>^</sup>	10.00
<b>Total</b>	<b>10.00</b>

Note: As at end of February 2018, approximately Rs. 3 Crs have been disbursed by the bank.

**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**

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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