

Date: August 07th, 2024

BSE Limited.
Listing Department,
Department of Corporate Services,
P.J. Towers,
Dalal Street, Fort,
Mumbai-400001.

Sub: Intimation regarding Credit Rating under Regulation 30 of (LODR) SEBI, 2015

Dear Sir,

In pursuance of Regulation 30 of SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015 please note that Infomercs Ratings Private Limited "Infomercs Ratings" has assigned the following Credit Ratings to the Long term Bank Facilities of the Company.

Term Bank Loan Facilities Related	Rs. 79 Crores Only
Long Term Rating	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook

Please take the same on record.

Thanking you,

For Shervani Industrial Syndicate Ltd.



S. K. Shukla
S. K. Shukla
Company Secretary



Press Release

Shervani Industrial Syndicate Limited (SISL)

July 18, 2024

Ratings

Instrument/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities	79.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Total	Rs.79.00 (Seventy-Nine Crores Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The assignment of ratings to the bank facilities of Shervani Industrial Syndicate Limited takes into account experienced promoters & proven track record in real estate industry, comfortable leverage and coverage indicators of the Company, healthy sales velocity in ongoing project - Victory Tower, funding tie-ups for ongoing project – Victory Tower and locational advantages of the project. The rating is however constrained by geographical concentration risk, project implementation risk & dependency on customer advances and exposure to risks relating to cyclicity in real estate industry.

The stable outlook reflects the fact that the entity will continue to benefit from the extensive experience of the promoters and management in the industry and their knowledge of the real estate micro markets in the region.

Key Rating Sensitivities:

Upward Factors

- Improvement in the sales velocity and collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.



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Downward Factors

- Weaker-than-anticipated sales performance and lower-than-expected collections, which may lead to increased funding risk.
- Any delay in the project implementation and/or increase in debt thereby deteriorating the leverage ratios.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Experienced promoters & proven track record in real estate industry**

Shervani Industrial Syndicate Limited (SISL) belongs to Shervani Group of Prayagraj, Uttar Pradesh (U.P.). The group has an established track record of around a decade of executing projects in Prayagraj. SISL has successfully developed projects more than 5 lakh square feet in the past and has sold more than 90% of the said area. This shows a strong execution and marketability capabilities of the group. Also, this does not include Project Victory Tower which is current project under development having a total saleable area of ~ 6.95 lsf. It is pertinent to note that the experience of promoters in real estate micro markets supports the project's marketability in the given region.

- **Comfortable leverage and coverage indicators**

The company currently has nil debt outstanding for its completed projects and there is nil pending cost to be incurred. The total debt stood at Rs. 31.44 crore as of March 2024 compared to tangible net worth of Rs.131.55 cr. translating into overall gearing of 0.24x. SISL's Total Outside Liabilities to Tangible net worth ratio, which gives a very broad-based leverage metric stood at 0.56x as of March 2024. The Company is going to borrow Rs.55.00 crore for project Victory Tower in a staggered manner from FY24 to FY29 in tandem with the planned construction progress. Also, the repayment of the term loan starts from FY 29 onwards, giving the company comfortable time margin to sell the units in project Victory Tower and repay the loan.



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- **Healthy sales velocity in ongoing projects -Victory Tower**

SISL has shown a healthy sales velocity in its under-construction project Victory Tower. SISL has sold around 103 units till May 2024, with a run rate of ~ 9 units per month. SISL has received Rs.4.64 crore as booking amounts for these units. It has committed receivables of Rs.73.09 cr. against these sold units.

- **Funding tie-ups for ongoing project – Victory Tower**

SISL has tied up term loan of Rs.55 crore with bank for the construction of Victory Tower and the repayments for the term will commence from quarter ending September 2028. This is approximately 30% of the construction cost of Rs.182.81 cr. The remaining costs will be financed by equity from the promoters and customer advances. It should be noted that SISL has already committed receivables of Rs.73.09 cr. which are ~ 40% of construction.

- **Locational advantages of the project**

The ongoing project Victory Tower is located in Dhoomanganj area of Uttar Pradesh. The location has good connectivity from railway stations as it is adjacent to Subedarganj railway station and about 5 kms from Prayagraj railway station. Also, important government offices like Alahabad High Court are only 4 km from the project. As regards to road connectivity, it is adjacent to Kanpur highway and also it has good air connectivity with the airport at a distance of about 6 kms from the site. Location plays a critical role in saleability in case of real estate markets.

B. Key Rating Weaknesses

- **Geographical concentration risk**

Currently, all the Company's projects - completed and ongoing are in Prayagraj region of Uttar Pradesh. Since all of the company's projects are being executed in Prayagraj micro market, it is exposed to geographical concentration risk. Fortunes of the projects therefore will depend on the overall market sentiment in the region.



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- **Project implementation risk & dependency on customer advances**

'Project Victory Tower' is still in under early stages of construction. Out of total construction cost of Rs.182.81 cr., the Company has incurred Rs.31.38 cr or ~ 12.68%. The total cost of project of the Victory Tower is Rs.247.42 funded by Equity contribution of Rs.88.60 cr. (36%), Term Loan Rs.55.00 cr. (22%) and customer advances Rs. (42%). Thus, substantial portion of the project is funded by customer advances. Selling the units as per schedule at attractive prices will ensure steady flow of cash flow, barring which project implementation may be jeopardized.

- **Exposure to risks relating to cyclical in real estate industry**

Cyclical in the real estate segment could lead to fluctuations in cash inflows because of volatility in realisation and saleability. This may impact the debt servicing ability of the company. SISL will remain susceptible to the inherent cyclical in the real estate sector

Analytical Approach: Standalone

Applicable Criteria:

[Rating methodology for Real estate entities](#)

[Criteria of assigning rating outlook](#)

[Policy on Default recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate

SISL's liquidity is adequate. In FY24 the Company's gross cash accruals net of interest payments are Rs.30.54 cr. against repayment obligations of Rs.0.17 cr. with a moderate cash balance of Rs.3.69 cr. The project cost of Victory Tower will be partly financed by term loan of Rs.55.00 cr., the repayment of which would start in Sep 2028. The current ratio of the Company was 3.19x as on 31st March 2024. Average utilization of the dropline OD facility in the past 12 months is ~ 41%.



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About the Company

Shervani Industrial Syndicate Limited is a Company incorporated in February, 1948 and presently listed at Bombay Stock Exchange. The Company is into real estate business in Prayagraj city. The Company is promoted by Shervani Group of Prayagraj.

SISL is developing a residential project, named Project Victory Tower in Dhoomanganj, Prayagraj. The project comprises of is 2, 3 & 4 BHK residential project with 14 shops having total 534 units in 2 blocks each having 2 level Basement+ Ground Floor+ 13 Floors with a total saleable area of 6.95 lakh square feet. The project's scheduled DCCO is in June 2028.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)#
Total Operating Income	21.56	137.81
EBITDA	3.19	29.59
PAT	2.93	29.75
Total Debt	0.50	31.44
Tangible Net worth	124.82	131.55
EBITDA Margin (%)	14.80	21.47
PAT Margin (%)	12.84	20.99
Overall Gearing Ratio (x)	0.00	0.24
Interest Coverage (x)	49.15	211.36

*Classification as per Infomerics' standards

As filed by the Company on Bombay Stock Exchange as on May 24, 2024.

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Long Term Fund Based Bank Facilities – Term Loan	Long Term	55.00	IVR BBB-/ Stable	--	--	--
Long Term Fund Based Bank Facilities – Dropline Overdraft	Long Term	24.00	IVR BBB-/ Stable	--	--	--

Analytical contacts:

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	30 th June 2029	55.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Dropline Overdraft	-	-	-	31 st October 2028	24.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Shervani-Industrial-18july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.