Suncity Buildcon Private Limited
April 05, 2021

Ratings

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating 1</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Bank Facilities</td>
<td>50.10 (Reduced from 91.93)</td>
<td>CARE BBB (CE); Stable [Triple B (Credit Enhancement); Outlook: Stable]</td>
<td>Reaffirmed; Outlook revised from Negative</td>
</tr>
<tr>
<td>Total Bank Facilities</td>
<td>50.10 (Rs. Fifty Crore and Ten Lakhs Only)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Details of instruments/facilities in Annexure-1
@Backed by credit enhancement in the form of unconditional and irrevocable corporate guarantee from Suncity Projects Private Limited

Unsupported Rating

CARE BB+ (Double B Plus)

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The ratings of Suncity Buildcon Private Limited (SBPL) is based on the assessment of the co-borrower i.e. Suncity Projects Private Limited (SPPL) as the rated facilities are backed by credit enhancement in the form of SPPL acting as co-borrower. CARE, while arriving at the rating of SPPL, has combined the financials of SPPL along with its three group companies – Essel Housing Projects Private Limited, Suncity Buildcon Private Limited and Suncity Hi-tech Projects Private Limited (Collectively referred to as Suncity Group) which operate in the real estate segment and have been provided support by SPPL either in the form of Corporate Guarantee or by SPPL acting as a Co-borrower. CARE has reaffirmed the ratings assigned to the bank facilities of Suncity Projects Private Limited (SPPL) while revising the outlook to “Stable” from “Negative”. The revision in the outlook from “Negative” to “Stable” factors in the sustained pickup in sales momentum and collections in the ongoing and recently completed projects of SPPL from Q2FY21 (refers to the period July 01 to September 30) onwards after a period of subdued demand during Q1FY21 (refers to the period April 01 to June 30) due to the imposition of lockdown and other restrictions to curb the spread of COVID-19 in the country. The recovery in demand from Q2FY21 onwards was backed by improved buyer sentiment post lifting of lockdown and favourable interest rate.

The reaffirmation of the ratings assigned to the bank facilities of SPPL continue to derive strength from the experienced and resourceful promoter group in the real estate sector with an established brand name of the company in the NCR region. The ratings also take into account the advanced construction status of majority of its ongoing projects and availability of a substantial land bank. The ratings are, however, constrained by the project salability and execution risk for ongoing projects along with new launches and subdued demand in the real estate sector though the company reported improvement in sales momentum during 9MFY21 (refers to the period April 01 to December 31).

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1Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

2As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix ‘CE’ (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix ‘SO’ (Structured Obligation).
Key Rating Drivers of Suncity Buildcon Private Limited
The reaffirmation of the unsupported ratings assigned to the bank facilities of Suncity Buildcon Private Limited factors in the dependence of the company on customer advances to pay the debt obligations related to the project and subdued real estate industry scenario. The ratings, however, continue to derive comfort from experience of the promoters and their demonstrated financial support to SBPL.

Rating Sensitivities of SPPL
Positive Factors - Factors that could lead to positive rating action/upgrade:
• Project execution as scheduled supported by timely realization of customer advances as envisaged.
• Sales momentum as projected coupled with improved profit levels.

Negative Factors- Factors that could lead to negative rating action/downgrade:
• Delay in project execution or lower than envisaged collections in turn leading to liquidity stress.
• Aggressive project launches leading to higher than envisaged escalation of total debt.
• Higher than envisaged repayment of unsecured loans resulting in a stretched liquidity position for the company

Detailed description of the key rating drivers
Credit enhancement in the form of SPPL acting as Co-borrower
The ratings of SBPL is based on the assessment of the co-borrower i.e. SPPL as the rated facilities are backed by credit enhancement in the form of SPPL acting as co-borrower.

Key Rating Strengths of co-borrower- SPPL
Experienced and resourceful promoter group with established brand name of the company in the NCR region:
Suncity Group has developed 20 real estate projects of around 277.25 lakh square feet (lsf) of saleable area, mainly in Gurgaon/NCR region. The group is promoted by Mr Laxmi Narain Goel and Subhash Chander Aggarwal. The promoters of the group have extended continuous support to the company in the form of equity infusion and unsecured loans over the years.

Satisfactory construction status of the ongoing projects:
Out of the previously ongoing thirteen projects (including new launches), the company has completed the construction for 5 projects namely “Suncity Rewari Township”, “Jewel of India – Phase 1”, “Suncity Heights - Phase 1”, “Suncity Baddi Township” and “Suncity Kaithal Township”. The group currently has eight ongoing projects with around 173.87 lsf of saleable area. There is satisfactory financial progress with around 69.22% of the total project cost being incurred as on December 31, 2020. Out of the ongoing projects, the group has 2 projects wherein more than 90% construction is completed, 3 projects are at advanced stage and the remaining 1 project is at an intermediate stage. The company has also started construction activities for to be launched projects - “Jewel of India Phase 2” and “Suncity Heights Phase 2” and both the said projects are at an intermediate stage of construction as on December 31, 2020.

Availability of huge land bank:
Suncity Group has a fully paid land bank of about 1,151.71 acres which provides financial flexibility to the group along with ability to construct projects at relatively lower costs considering the purchase of the said land bank was done during the initial years of incorporation of the company. The said land bank is primarily spread across Delhi-NCR, Jaipur, Mathura and Dehradun.
Key Rating Weaknesses of co-borrower-SPPL

Project salability risk:
The sales status remains modest with overall bookings of 72.96% as on December 31, 2020 in all the projects. Sales for the luxury projects are relatively lower with 25.66% of the total saleable area booked for one of the luxury projects (project cost of ~52.82% has been incurred as on December 31, 2020) thereby exposing the group to considerable sales and marketing risk as significant portion of the forecasted cash flows are envisaged from these luxury segments. The same was reflected in the sales and collection for the period Q3FY21, which remained subdued.

Project execution risk:
Suncity group is exposed to execution risk with balance cost of around 30.78% of the total project cost is yet to be incurred for the ongoing projects. Further, in one of the ongoing luxury project in Gurgaon, the project execution is dependent upon fresh sales and debt to be availed in the coming years. As on December 31, 2020, the total cost of construction (for the eight ongoing projects) has been funded through a mix of 13.90% of debt, 64.66% of customer advances, and the remaining has been funded through promoter funds. Going forward, timely collection from the area sold, no cancellations and ability to achieve new sales shall remain crucial. Hence, the projects remain vulnerable to funding risk, as any delay in sales launch, or lower than envisaged sales momentum may affect the project completion timelines.

Subdued industry scenario
CARE continues to have negative outlook for the Real Estate sector. The sector has been facing lower sales and collections on the back of subdued demand over the past few years and post outbreak of COVID-19, even construction activity has witnessed slowdown resulting into weakened cash flows. This has led to the projects getting delayed and cash flow mismatch forcing the developers to refinance the outstanding liabilities. However, post Q1FY21, the sector has witnessed some signs of recovery with improvement in overall demand and consumer sentiments on the back of festive season and various incentives offered by Central/State Government. However, sustenance of such recovery, going forward, remains to be monitorable.

Liquidity: Adequate
SPPL has been generating sufficient cash accruals from sale of its projects (both residential as well as commercial) to service its debt obligations. The group had approx. Rs 63.93 crore of cash and bank balance as on December 31, 2020. The company also has pending disbursement of Rs 138.22 crore which has already been sanctioned term loan by various lender banks. The total principal repayment obligation of the company (on a combined basis) for FY21 stood at Rs 78.63 crore out of which the company has already repaid Rs 75.34 crore as on March 27, 2021, along with prepayment of Rs 85.14 crore. The company had availed moratorium on part of its debt obligations due during the period March to August 2020 and the same was in line with RBI circulars dated Mar 27, 2020 and May 23, 2020.

Analytical approach:
The ratings of SBPL is based on the assessment of the co-borrower i.e. SPPL as the rated facilities are backed by credit enhancement in the form of SPPL acting as co-borrower. CARE, while arriving at the rating of SPPL, has combined financials of its three group companies – Essel Housing Projects Private Limited, Suncity Buildcon Private Limited and Suncity Hi-tech Projects Private Limited (Collectively referred to as Suncity Group) which have been provided support by SPPL either in the form of Corporate Guarantee or by SPPL acting as a Co-borrower.
About the Co-borrower - Suncity Projects Private Limited
Incorporated in 1997, SPPL is engaged in the business of promotion, development and construction of real estate and has a long-standing presence primarily in the Gurgaon/NCR market. The company is the flagship entity of the Suncity Group which is being promoted by Essel and Action groups.
Suncity group has over two decades of presence in real estate sector and has experience of development/construction/engineering/architecture. In the past, the group has completed fifteen projects, which include development of townships, residential/group housing projects, commercial projects, shopping mall projects and educational institute with a total saleable area of 277.25 lakh square feet (lsf).

<table>
<thead>
<tr>
<th>Brief Financials (Rs. crore) (SPPL-Standalone)</th>
<th>FY19(A)</th>
<th>FY20 (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income</td>
<td>398.52</td>
<td>312.65</td>
</tr>
<tr>
<td>PBILDT</td>
<td>92.25</td>
<td>59.26</td>
</tr>
<tr>
<td>PAT</td>
<td>13.53</td>
<td>6.46</td>
</tr>
<tr>
<td>Overall gearing (times)</td>
<td>0.63</td>
<td>0.48</td>
</tr>
<tr>
<td>Interest coverage (times)</td>
<td>1.21</td>
<td>1.22</td>
</tr>
</tbody>
</table>

About the Company – Suncity Buildcon Private Limited
Incorporated in 2013, SBPL is engaged in the business of promotion, development and construction of real estate. The company is a part of Suncity group with flagship entity being Suncity Projects Private Limited. SBPL is currently executing residential townships projects Rohtak and Kaithal and has delivered one commercial project in Gurgaon in FY19.

<table>
<thead>
<tr>
<th>Brief Financials (Rs. crore)</th>
<th>FY19 (A)</th>
<th>FY20 (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income</td>
<td>81.07</td>
<td>127.04</td>
</tr>
<tr>
<td>PBILDT</td>
<td>46.14</td>
<td>50.57</td>
</tr>
<tr>
<td>PAT</td>
<td>0.33</td>
<td>1.76</td>
</tr>
<tr>
<td>Overall gearing (times)</td>
<td>0.61</td>
<td>0.50</td>
</tr>
<tr>
<td>Interest coverage (times)</td>
<td>1.01</td>
<td>1.07</td>
</tr>
</tbody>
</table>

A: Audited
Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Complexity level of various instruments rated for this company: Annexure 3
Annexure-1: Details of Instruments/Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-based - LT-Term Loan</td>
<td>-</td>
<td>-</td>
<td>December 2022</td>
<td>50.00</td>
<td>CARE BBB (CE); Stable</td>
</tr>
<tr>
<td>Non-fund-based - LT-Bank Guarantees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.10</td>
<td>CARE BBB (CE); Stable</td>
</tr>
<tr>
<td>Un Supported Rating - Un Supported Rating (Long Term)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00</td>
<td>CARE BB+</td>
</tr>
</tbody>
</table>

Annexure-2: Rating History of last three years

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Current Ratings</th>
<th>Rating history</th>
</tr>
</thead>
</table>


Press Release

Sr. No. | Instrument/Bank Facilities | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018
---|---|---|---|---|---|---|---|---
1. | Fund-based - LT-Term Loan | LT | 50.00 | CARE BBB (CE); Stable | 1)CARE BBB (CE); Negative (14-May-20) | - | 1)CARE BBB (SO); Stable (15-Feb-19) | 1)CARE BBB (CE); Negative (14-May-20) (14-May-20) 1)CARE BBB (SO); Stable (15-Feb-19) 1)CARE BBB (CE); Negative (14-May-20) (14-May-20)
2. | Non-fund-based - LT-Bank Guarantees | LT | 0.10 | CARE BBB (CE); Stable | 1)CARE BBB (CE); Negative (14-May-20) | - | 1)CARE BBB (SO); Stable (15-Feb-19) | 1)CARE BBB (SO); Stable (10-Jan-18) (10-Jan-18)
3. | Un Supported Rating-Un Supported Rating (Long Term) | LT | 0.00 | CARE BB+ | 1)CARE BB+ (14-May-20) | - | - | -

Annexure 3: Complexity level of various instruments rated for this company

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument</th>
<th>Complexity Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fund-based - LT-Term Loan</td>
<td>Simple</td>
</tr>
<tr>
<td>3.</td>
<td>Un Supported Rating-Un Supported Rating (Long Term)</td>
<td>Simple</td>
</tr>
</tbody>
</table>

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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