Suncity Projects Private Limited

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	392.00 (Enhanced from 247.00)	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	100.00 (Enhanced from 50.00)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of long-term and short-term ratings to bank facilities of Suncity Projects Private Limited (SPPL) continues to derive strength from experienced and resourceful promoter group, which have a strong track record in the real estate industry with an established brand name in the National Capital Region (NCR) region. The rating also factors in strong sales momentum, comfortable financial risk profile and availability of substantial land bank for future expansion. Healthy sales traction in intermediate stages of housing and commercial projects enable the group in managing substantial construction funding through customer advances.

However, rating strengths are constrained by high reliance on fresh sales to meet its pending construction cost and outstanding debt, project saleability and execution risk and cyclical nature of the industry.

CARE Ratings Limited (CARE Ratings) also takes note of the ongoing Enforcement Directorate (ED) investigation on SPPL under the Prevention of Money Laundering Act, 2002. ED has attached properties worth ~₹16 crore of SPPL's assets. There are no ongoing or planned projects on these properties. CARE Ratings will monitor developments and their impact on the group's financial risk profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Receipt of better-than-envisaged collections on account of improved sales momentum.
- Improvement in receivable coverage ratio to over 70% on a sustained basis.

Negative factors

- Significant weakening in the receivable coverage ratio below 40% on a sustained basis.
- Considerable decline in the operational cashflows (Less than ₹500 crore on an annual basis) of the group due to lower-than-envisaged sales momentum.

Analytical approach: Combined

For arriving at ratings of Suncity group, CARE Ratings has combined financials of Suncity Projects Private Limited (SPPL), Suncity Buildcon Private Limited (SBPL), Suncity Hi-Tech Projects Private Limited (SHPPL), Essel Housing Projects Private Limited (EHPPL) and ESSEL INFRA LLP (EILLP), as listed in Annexure-6. All entities are under the same management and are engaged in real estate activities.

Outlook: Stable

The stable outlook reflects CARE Ratings' belief that the group will continue to derive benefit from strong track record of Suncity Group with continued strong sales momentum and availability of huge land bank.

Detailed description of key rating drivers:

Key strengths

Experienced and Resourceful promoter group

The Suncity Group is engaged in real estate development, primarily in Gurgaon/NCR market. The group is promoted by Laxmi Narain Goel and Subhash Chander Aggarwal, having extensive experience in diversified businesses such as EV assembly, real

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

estate (schools, hospitals, retail malls, warehousing, among others). Suncity Group has a healthy portfolio of real estate projects such as residential, commercial, mixed-use, and townships. The group has developed 33 real estate projects of ~480 lsf of saleable area, most of which were undertaken in Gurgaon/NCR region.

Strong sales momentum with healthy collections

The group has witnessed strong sales momentum and collections from ongoing and recently completed projects. In 9MFY25, the group has sold around 1718 units for total sale value of ~₹781 crore against 1278 units for a total sales value of ~₹956 crore in FY24. Further, collections during the 9MFY25 has been ~₹836 crore against ~₹771 crore in FY24. Major sales momentum is driven by completed projects as the group is holding sizeable value of units. Given the pipeline of sizeable, completed units, bookings and collections are expected to remain healthy in the medium term.

Comfortable funding pattern and leverage profile

Ongoing projects are being funded through a low level of debt (~20%), promoter's funds (~24%) and balance through customer advances. As on December 31, 2024, the group has incurred ~₹802 crore on its ongoing projects, with debt contributing only ~₹117 crore, which constitutes only 6% of the total project cost. Going forward, the group is expected to avail external debt of ~₹268 crore on a total project cost of ~₹1967 crore, maintaining the debt at 20% of the total project cost. The land acquisition cost is funded through promoter's funds and therefore ongoing plotting projects do not significantly depend on customer advances. For ongoing housing and commercial projects, given the strong sales momentum, the balance funding is expected to be majorly met through customer advances.

As on December 31, 2024, the group's total external debt increased to ~₹503 crore from ~₹327 crore as on March 31, 2024. Debt level increased due to funding availed for launching of new projects. In the last five fiscal years ending March 31, 2024, gearing ratio remained comfortable below unity and despite an increase in debt in 9MFY25, it is expected to remain below unity. Going ahead, the group is expected to launch few more projects, and it may avail additional debt. However, it is expected to partly offset by accelerated repayments in existing term loans, and accordingly, on net basis, debt levels are expected to remain near to current level and gearing is expected to remain below unity. Additionally, the group's external debt/annual collections improved from 0.56 in FY24 to 0.45 in 9MFY25 due to healthy collections in 9MFY25.

Availability of huge land bank

Suncity Group has a fully paid land bank of ~1,276.11 acres, primarily spread across Delhi-NCR, Jaipur, Mathura, Rohtak, Solan, Indore, Rewari, Kaithal and Dehradun. The land bank provides financial flexibility to the group and ability to construct the future projects at a relatively lower cost, considering that land has already been purchased.

The ED has attached properties worth ~₹16 crore of SPPL's assets, which are not included in above land bank. Further developments in the investigation and their impact on the group's financial risk profile will be closely monitored.

Key weaknesses

Project saleability risk and inventory overhang

The group is exposed to saleability risk for completed and ongoing projects, as it holds a sizable inventory valued at over ₹2,100 crore in completed and over ₹3,300 crore in ongoing projects. However, this risk is mitigated with the growing demand in the region, which is reflected from healthy sales momentum. Unsold inventory includes ~₹3500 crore from plotting projects, ~₹1450 crore from housing projects and remaining from commercial projects. Sales momentum of housing projects is better than plotting projects as the group strategically sells plotting projects at a slower pace so that they can take advantage of the price increase. These plotting projects are sold over 4-5 years and at current sales momentum, the group will take 33 months to sell unsold inventory of housing projects. Timely launch and monetisation of inventory remains crucial from credit perspective. Any sudden downturns may lead to longer overhang of inventory and may impact the group's credit profile.

Moderate execution risk and receivable coverage ratio

The group is developing three housing projects, three plotting projects and four commercial projects with total project cost of close to ₹1967 crore. As on December 31, 2024, it has incurred ~37%, 52%, and 44% of the total costs for these projects, respectively, indicating moderate execution. Committed receivables from sold units also stood moderate at 48% to cover its balance project cost and outstanding debt. As committed receivable coverage ratio is moderate, there is relatively high reliance on fresh sales to fund the future project cost and meet the debt commitments. While the unsold inventory provides a healthy cover over the balance cost and debt outstanding, the timely liquidation of such inventory remains monitorable.

Cyclical nature of the industry

The real estate sales in the residential segment have remained tied and unsold inventory has been high across major cities. To support the ailing real estate sector, measures such as relaxation of FDI norms, and passage of Real Estate Bill, among others, have been undertaken in the right direction. Any adverse impact due to macroeconomic factors including slow down and adverse regulatory changes may have an impact on the sales velocity and thus impact cash flow of the companies operating in the real estate sector.

Liquidity: Adequate
As on December 31, 2024, the group had cash and bank balance of close to ₹245 crore against debt obligations of close to ₹322 crore in the next four quarters. The group also has receivables from sold units to the tune of ~₹792 crore, which provides cash flow visibility in the near term. With the expectation of sales of unsold units per current sales momentum, collection is expected to remain comfortable to service its upcoming debt obligations.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector
Short Term Instruments

About the group and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

SPPL, SBPL, EHPPL, EILLP and SHPPL are all part of the Suncity group. The group is promoted by Laxmi Narain Goel and Subhash Chander Aggarwal. The group has long-standing presence in real estate development, primarily in the Gurgaon/NCR region. SPPL is the flagship entity of the group and was incorporated in 1997. The group has completed 33 projects, which includes development of townships, residential/group housing projects, commercial projects, shopping mall projects, and educational institute with a total saleable area of over 480 lakh square feet (lsf).

Combined

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	661.66	1054.88
PBILDT	181.10	274.50
PAT	50.44	130.37
Overall gearing (times)	0.76	0.63
Interest coverage (times)	1.32	2.46

UA: Unaudited; Note: these are latest available financial results

Basis of combination: Numbers have been combined through row-by-row addition of all line items of SPPL, SBPL, EHPPL, EILLP and SHPPL, after excluding intra-group purchase/sales.

About the company

SPPL is the flagship entity of Suncity group and was incorporated in 1997. The company has completed 17 projects with a total saleable area of ~225 lsf. The company is currently developing three projects with a total saleable area of 17.29 lsf.

Standalone (SPPL)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	316.10	461.16
PBILDT	59.90	96.97
PAT	16.25	48.18
Overall gearing (times)	0.21	0.25
Interest coverage (times)	1.52	3.03

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	15/06/2036	392.00	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	100.00	CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	392.00	CARE BBB+; Stable	1)CARE BBB+; Stable (01-Apr-24)	-	1)CARE BBB+; Stable (10-Jan-23)	1)CARE BBB; Positive (31-Mar-22) 2)CARE BBB; Stable (05-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	100.00	CARE A2	1)CARE A2 (01-Apr-24)	-	1)CARE A2 (10-Jan-23)	1)CARE A3 (31-Mar-22) 2)CARE A3 (05-Apr-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Suncity Buildcon Private Limited	Full	Operational and financial linkages
2.	Suncity Hi-Tech Projects Private Limited	Full	Operational and financial linkages
3.	Essel Housing Projects Private Limited	Full	Operational and financial linkages
4.	ESSEL INFRA LLP	Full	Operational and financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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