

## Sakthi Elegant Towers India Private Limited

January 29, 2021

### Rating

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.05	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>8.05</b> <b>(Rs. Eight Crore and Five Lakhs Only)</b>		

*Details of instruments/facilities in Annexure*

#### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 31, 2020 placed the rating(s) of Sakthi Elegant Towers India Private Limited (SETIPL) under the 'issuer non-cooperating' category as SETIPL had failed to provide information for monitoring of the rating. SETIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated November 17, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

*The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by Sakthi Elegant Towers India Private Limited with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk.*

#### Detailed description of the key rating drivers

*At the time of last rating March 31, 2020 the following were the rating strengths and weaknesses:*

#### Key Rating Weakness

##### ***Decline in total operating income in FY19***

The total operating income of the company declined to Rs.10.68 crore in FY19 as against Rs.20.87 crore in FY18.

##### ***Moderately high reliance on customer advances***

The customer advances receivable forms about 62% of the total project cost. The company's reliance on customer advances continues to stand high.

##### ***Elongated working capital cycle***

The working capital further elongated and stood at 613 days due to elongated inventory period. The collection and creditor period stood at 1 day and 14 days respectively.

##### ***Salability risk and inherent cyclical nature of the real estate industry.***

As the company has completed the on-going projects the ability of the company to sell the remaining residential units remains critical. Further, the company is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

#### Key Rating Strengths

##### ***Long track record and experience of the promoters for more than two decades in real estate and civil construction Industry***

Sakthi Elegant Towers India Private Limited (SETIPL) was incorporated in 2005, promoted by Mr. P. Rajendran along with other family members. The management team of SETIPL is led by Mr. P. Rajendran (Managing Director), Mr. Jaya Kumar (Executive Director) and Mr. G Aravind (CEO) has more than two decades of experience in real estate and civil construction industry. Mr. P. Rajendran is professionally Structural Engineer (M.E). Due to long experience of promoters, they are able to establish long term relationship with customers.

##### ***Improvement in profitability margins in FY19***

The profitability margins of the company improved during the period. The PBILDT margin improved by 1017bps and stood at 24.06% in FY19 as against 13.89% in FY18 owing to decrease in cost of materials, power and fuel cost. The PAT margin of the company improved and stood at 11.80% in FY19 as against 7.73% in FY18 on account of decrease in interest and finance charges.

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

\*Issuer did not cooperate; based on best available information

### Comfortable capital structure albeit deteriorated in FY19

The capital structure of the company deteriorated marked by overall gearing and debt equity ratio which stood at 0.50x and 0.50x as of March 31, 2019 as compared to 0.11x and 0.09x as of March 31, 2018 owing to increase in borrowings of term loans despite of increase in networth.

### Modest debt coverage indicators

The debt coverage indicators of the company marked by interest coverage which improved and stood at 5.06x in FY19 as against 4.75x in FY18 on account of decrease in interest and finance charges. TD/GCA of the company deteriorated to 5.31x in FY19 from 0.80x in FY18 due to increase in debt levels along with decrease in cash accruals.

**Analytical Approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Construction Sector](#)

[Rating Methodology-Real Estate Sector](#)

[Liquidity Analysis for Non-Financial Sector Entities](#)

### About the Company

Sakthi Elegant Towers India Private Limited (SETIPL) was incorporated in 2005, promoted by Mr. P. Rajendran along with other family members. The company is engaged in construction of Residential Apartments and Villas. SETIPL purchases raw materials like sand, cement, iron and bricks from local suppliers. The company has not availed moratorium for its rated bank facilities.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	20.87	10.68
PBILDT	2.90	2.57
PAT	1.61	1.26
Overall gearing (times)	0.11	0.50
Interest coverage (times)	4.75	5.06

A-Audited

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

**Rating History (Last three years):** Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working capital Term Loan	-	-	March 2023	8.05	CARE B; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		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-Working capital Term Loan	LT	8.05	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-Mar-20) 2)CARE BB-; Stable (25-Jun-19) 3)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Apr-19)	1)CARE BB-; Stable (25-Jun-18) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE B+; Stable (16-May-17)

*\*Issuer did not cooperate; Based on best available information*

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-** Information not available

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Working capital Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**