

S S Group Private Limited

April 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	35.00 (Reduced from Rs. 47.00 crore)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Total Facilities	35.00 (Rs. Thirty five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of SS Group Private Limited (SSGPL) continues to be constrained due to high dependence on the customer advances for the construction of its ongoing projects leading to project execution risk, off-take risk for some of the projects as they are still at a nascent stage and subdued industry scenario. However, the ratings continue to derive strength from experience of the promoters, established track record of the group, location advantage and reasonable booking status for some of its projects.

Going forward, timely execution and sale of the project along with realization of customer advances shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Project execution risk and off-take risk

Till Dec 31, 2018, the company has incurred Rs. 1013 cr (PY: Rs. 969 cr) out of the total Rs. 2147 cr that is, ~47% (PY: 45%) of the total project cost. However, the company has incurred Rs. 459 cr out of the total Rs. 1416 cr on the construction, that is, 32% of the total construction cost.

Moreover, there has been slowdown in sales momentum in line with subdued demand scenario in the industry, with some cancellations in the project at overall basis. The company has sold 21.60 lsf till Dec 31, 2018 i.e. ~31% (PY: 29%) of total area.

However, in CY19, the collection level has remained stable with Rs. 150 cr (PY: Rs. 120 cr) being collected from its ongoing projects.

With significant portion of the cost yet to be incurred and major portion of some of the projects yet to be sold; the projects remains exposed to project execution risk and off-take risk.

High dependence on customer advances for the ongoing projects

The cost of the projects is Rs. 2147 cr which is funded from various sources such as Promoter's contribution (17% of the total cost), Rs. 130 cr of debt (6% of the total cost) and the rest through customer advances that is 77% of the total project cost. Till Dec 31, 2018, the company has collected Rs. 733 cr from its projects that are ~44% of the total projected customer advances. Thus, it shall be imperative for SSGPL to achieve improvement in its sales momentum and to garner requisite amount of sales proceeds for timely execution and completion of the project.

Subdued industry scenario

The real estate sector has been grappling with issues such as unsold inventory, delayed delivery and financial stress on the developers for quite some years now and post demonetisation; due to higher liquidity the buyers have deferred their purchases as they are expecting the borrowing rates to come down. However, with the introduction of Real Estate (regulation and Development) Act (RERA) and GST (Goods and Services Tax), the residential real estate sector is on the path of transformation with modified rules and mandatory approvals which will enhance the transparency and customers' trust in the sector but also add additional burden on the developers which might hamper the sentiments of the market.

Key Rating strengths

Experienced promoters with established track record of the group

The promoter of the group, Mr. Sukhbir Singh Juanapurua (Chairman), has more than 25 years of experience in the real estate industry. Mr. Ashok Singh Juanapurua (Managing Director and Chief Financial Officer) is the son of Mr. Sukhbir Singh Jaunapurua; He has done MBA from Greenwich University, London and has more than 12 years of experience in the real estate sector. He looks after the day to day affairs of the group and is supported by an experienced management

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

team. S S group has a long-standing presence in the real estate development in Delhi NCR market and has considerable presence primarily in the Gurgaon region. As on June 30, 2016, the group has developed real estate projects of around 42.07 lsf of saleable area which includes seven residential and one commercial project, most of which was undertaken in Gurgaon region.

Location advantage with reasonable booking status for its projects

All the projects of the group are located in the prominent location of Gurgaon having easy accessibility and good connectivity. The projects have favorable location in terms of close proximity from the International Airport and also well-connected through road and metro network. On account of the favorable location along-with the established track record of the group, the company has reasonable sales for its existing projects. The company has already sold about 76% (PY: 69%) (The Coralwood & Almeria), 74% (PY: 74%) (The Leaf), 42% (PY: 42%) (SS Omnia) and 1% (1%) (SS City) of the total saleable area as on Dec 31, 2018. Owing to the established track record and favorable location the company has received reasonable response from the market. The total value of the sold area is Rs. 1100 cr out of which Rs. 733 cr, i.e. 67% of the total sale value has been received by the company.

Further SSGPL collected Rs.48.22cr in CY18 from one of its already completed project i.e. Hibiscus.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

About the Company

Incorporated in 1992, S S Group Private Limited (SSGPL) is engaged in the development of residential and commercial real estate projects in Delhi NCR. SSGPL is the flagship company of the Gurgaon based 'SS Group'. In past the group has successfully completed seven residential and one commercial real estate projects with total saleable area of about 42.07 lsf, in Gurgaon region.

The company is currently developing three residential/group housing projects and one commercial project involving development of about 70.00 lakh square feet of saleable area in Gurgaon, Haryana.

SSGPL is currently developing three residential projects viz. "The Coralwood & Almeria" in Sector 84, Gurgaon, "The Leaf" in sector 85, Gurgaon and "S S City" in Sector-84, 85 and 90, Gurgaon and a commercial project "SS Omnia" at Sector-86, Gurgaon, Haryana.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	133.90	144.18
PBILDT	33.61	32.99
PAT	0.47	1.34
Overall gearing (times)	0.65	060
Interest coverage (times)	1.21	1.17

A: Audited

Liquidity Analysis:

The liquidity of the group is supported by healthy collections from its projects on a timely basis. Till Dec 31, 2018, the group has already sold 21.60 lsf out of the total area of 70 lsf, in which it has collected Rs.733cr i.e.67% of total sale value. Further the company received customer advances net of cancellations of Rs.61cr in CY18.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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-Bank Overdraft	-	-	-	15.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	20.00	CARE A4+

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Mar-18) 2)CARE BB+; Stable (10-Apr-17)	1)CARE BB+ (05-Oct-16)	1)CARE BB+ (19-Aug-15)
2.	Fund-based - LT-Bank Overdraft	LT	15.00	CARE BB+; Stable	-	1)CARE BB+; Stable (30-Mar-18) 2)CARE BB+; Stable (10-Apr-17)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	20.00	CARE A4+	-	1)CARE A4+ (30-Mar-18) 2)CARE BB+; Stable (10-Apr-17)	-	-

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