

## Sai Sumukha Properties Private Limited

April 29, 2020

### Rating

| Facilities                | Amount<br>(Rs. crore)  | Rating <sup>1</sup>   | Rating Action  |
|---------------------------|--|---|--|
| Long term Bank Facilities | 12.49  | CARE B-; Stable;<br>ISSUER NOT COOPERATING*<br>(Single B Minus; Outlook: Stable;<br>Issuer not cooperating) | Issuer not cooperating; Revised from CARE B; Stable; Issuer not cooperating (Single B; Outlook: Stable; Issuer not cooperating) on the basis of best available information |
| <b>Total Facilities</b>   | <b>12.49</b><br><b>(Rs. Twelve Crore and Forty Nine Lakh only)</b> |   |  |

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 29, 2019, placed the rating of Sai Sumukha Properties Private Limited (SSPPL) under the 'issuer non-cooperating' category as SSPPL had failed to provide information for monitoring of the rating. SSPPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated April 13, 2020 to April 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 revision in the rating assigned to the bank facilities of Sai Sumukha Properties Private Limited (SSPPL) is tempered by small scale of operations with decline in total operating income, satisfactory capital structure, geographically concentrated revenue profile and fragmented nature of the real estate sector albeit improving growth prospects. However, it derives strength from long track record of promoters and experience in the wheat processing industry, satisfactory profitability margins and stable demand of food products.*

### Detailed description of the key rating drivers

The rating is further constrained by declining scale of operations and weak debt coverage indicators. (Updated for the information available from Registrar of Company Affairs (ROC))

### Key Rating Weaknesses

#### ***Small scale of operations along with decline in total operating income***

The scale of operations marked by total operating income stood small and has declined from Rs. 22.74 crore in FY18 to Rs. 7.78 crore in FY19.

#### **Geographically concentrated revenue profile**

SSPPL entirely derives its revenue from orders executed in the state of Karnataka, particularly from Bengaluru city, which exposes the company to geographical concentration risk.

#### **Weak debt coverage indicators**

The total debt to GCA stood at 17.23x as on March 31, 2019 as against 3.40x as on March 31, 2018 due to the increase in working capital borrowings. The interest coverage ratio and total debt to cash flow from operations stood at 1.65x and 4.50x as on March 31, 2019 as against 3.75x and 1.01x as on March 31, 2018 due to the decrease in PBILDT in absolute terms and increase in working capital borrowings.

#### **Fragmented nature of the real estate sector albeit improving growth prospects**

The real estate sector in India is highly fragmented with a large number of small and mid-sized players. Certain factors such as project execution challenges, delays in land acquisition, regulatory clearances, long working capital cycles as a result of longer gestation periods collectively place pressure on the company's credit profile. Despite these impediments, increasing growth in residential properties due to lower interest rates, easy availability of housing finance and various government initiatives in real estate sector are expected to revive the industry in medium to long term.

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

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

### Key Rating Strengths

#### **Experienced promoters with more than two decades of experience in the real estate industry**

Mr. C. Rajani Kumar promoter and Managing Director, has an experience of more than 20 years in real estate industry, gained through family owned entity. The administration department is led by Mr. Prasad, having 10 years of experience in the relevant field. SSPPL is supported by a skilled management team with experience of more than decade. The day-today affairs are managed by Mr. C. Rajani Kumar. In the past the company has executed several projects in Bengaluru.

#### **Location advantage**

The current ongoing project of SSPPL is located at a residential and commercial area of Bengaluru. Because of its close proximity to major residential areas like Banashankari, Jayanagar, Bannerghatta Road and BTM Layout, this area was developed by Bangalore Development Authority (BDA), for convenience of growing population in the city. Further, the locality houses many actors, politicians, singers, sportsmen and other famous celebrities and is targeted by the affluent section of people.

#### **Satisfactory capital structure**

The capital structure marked by overall gearing ratio stood comfortable at 0.70x as on March 31, 2019 as against 0.68x as on March 31, 2018 due to increase in net worth on back of accretion of profits into reserves.

**Analytical approach:** Standalone

#### **Applicable criteria**

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

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

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

[Financial ratios-Non-financial sector](#)

[Rating Methodology-Real Estate Sector](#)

#### **About the firm**

Sai Sumukha Properties Private Limited (SSPPL) was incorporated in the year 2008 promoted by Mr.C.Rajani Kumar and Ms.C.Triveni. The company is engaged in construction of residential apartments in and around Bengaluru.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 22.74    | 7.78     |
| PBILDT                       | 3.32     | 1.20     |
| PAT                          | 1.68     | 0.29     |
| Overall gearing (times)      | 0.68     | 0.70     |
| Interest coverage (times)    | 3.75     | 1.65     |

A: Audited

**Status of non-cooperation with previous CRA:** Brickworks has placed the rating under Issuer Not Cooperating category vide PR dated March 31, 2020.

**Any other information:** Not applicable

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

#### **Annexure-1: Details of instruments/facilities**

| Name of the instruments/facilities | Date of Issuance | ISIN No. | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook  |
|------------------------------------|------------------|----------|-------------|---------------|-------------------------------|--|
| Fund-based - LT-Cash Credit        | -                | -        | -           | -             | 12.49                         | CARE B-; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating;<br>Revised from CARE B; Stable;<br>ISSUER NOT COOPERATING*<br>on the basis of best available information |

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

## Annexure-2: Rating history of last three years

| Sr. No. | Name of the instruments/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-Cash Credit             | LT              | 12.49                          | CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information | -   | -   | 1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Mar-19) | 1)CARE B+; Stable (18-Jan-18)             |

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

**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.

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