

Sakthi Elegant Towers India Private Limited

April 02, 2019

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long -term Bank Facilities	9.57	CARE BB-; Stable(Double B Minus; Outlook : stable) ISSUER NOT COOPERATING*	Issuer not cooperating; Based on best available information
Total Facilities	9.57 (Rupees Nine Crore and Fifty Seven Lakh Only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Sakthi Elegant Towers India Private Limited (SETIPL) to monitor the rating vide e-mail communications/ letters dated March 18, 2019, March 19, 2019, March 21, 2019 and March 22, 2019, March 23, 2019 and March 25, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Sakthi Elegant Towers India Private Limited's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***

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

Detailed description of the key rating drivers

The rating assigned to the bank facilities of Sakthi Elegant Towers India Private Limited (SETIPL) are continues to be constrained by small scale of operations albeit improvement, declined PBILDT margins and elongated working capital cycle. The rating is, however, underpinned by Long track record and experience of the promoters for more than two decades in construction Industry. The ratings also factor in improved capital structure and debt coverage indicators

Going forward, the company's ability to complete the project in timely manner and its ability to sell the units and collect advances would be key rating sensitivity.

Key Rating Weakness

Small scale of operations albeit improvement

The operating income increased from Rs.15.31 crore in FY17 to Rs.20.87 crore in FY18.

Elongated working capital cycle

The operating cycle stood elongated however improved from 796 days in FY17 to 370 days in FY18.

Declined PBILDT margin

The PBILDT margin declined from 21.97% in FY17 to 13.89% in FY18.

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 the overall financial profile marked by stable PAT margins and improved capital structure and debt coverage indicators

The overall gearing improved from 0.85x as on March 31, 2017 to 0.11x as on March 31, 2018. The total debt/GCA and interest coverage ratio improved from 8.18x and 2.05x respectively in FY17 to 0.80x and 0.11x respectively in FY18. The PAT margin stood stable at 7.73% in FY18.

Analytical Approach: Standalone

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

Applicable Criteria

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

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

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

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

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.

SETIPL is currently engaged in construction of residential apartment project by the name "Sakthi Towers" located at Sakthi Towers, GV Residency, Sowripalayam, Coimbatore, and Tamil Nadu. There are three phases in the project. First phase refers to Tower A, second phase refers to Tower-B; third phase refers to 16 Villas.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	15.31	20.87
PBILDT	3.36	2.90
PAT	1.19	1.61
Overall gearing (times)	0.85	0.11
Interest coverage (times)	2.05	4.75

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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 corporate 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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors

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	-	-	September 2023	9.57	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; 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 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.	Fund-based - LT-Working capital Term Loan	LT	9.57	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB-; Stable (25-Jun-18) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE B+; Stable (16-May-17)	-	-

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