

Sumit Woods Limited

April 6, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities-Dropline overdraft facility	45.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total facilities	45.00 (Rupees Forty Five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of Sumit Woods Limited [SWL], factors in the execution risk for ongoing projects, moderate sales and funding risk and inherent cyclicality associated with the real estate sector. The rating further derives strengths from successful execution of many projects and improvement in customer collections. The rating also continues to favourably factor in prior experience of promoter in real estate sector.

Timely execution of the ongoing projects without any cost and time overrun, ability to scale-up sales momentum and ability to maintain favourable capital structure remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Sales risk persists, however sales momentum fairly decent; increase in customer advances: As on December 31, 2017, SWL has sold 70% of the total area under different projects and received customer advances of Rs. 404.80 crore as against Rs.342 crore in March, 2017. Besides, the registration of the area sold is also in progress. Going ahead, timely collection from the area sold with no cancellations and ability to achieve new sales shall remain crucial.

Moderate execution risk; completion of some projects with part OC received: The group has ten completed and five ongoing projects under SWL directly and through group companies. All the projects are spread across various parts of Mumbai such as Goregaon, Byculla, Virar, Borivali, Kalina, Sion and has a mix of budget and premium projects in its portfolio. The total project cost incurred as on December 31, 2017, is 85.16% of the total project cost, which has been majorly funded through customer advances. Furthermore, the company has received part OC for one of its projects.

Moderate Funding Risk: The total project cost is estimated to be Rs.718.56 crore, which is expected to be funded by a mix of customer advances, debt, unsecured promoter loans and promoter's capital contribution. The company received sanction for drop line overdraft facility of Rs.45 crore from SBI in February, 2016. The projects under entity level and at group level are highly dependent on customer advances. Furthermore, tied-up receivables as a percentage of balance construction cost to be incurred and total debt on an overall basis remains fairly comfortable.

Inherent cyclicality associated with real estate sector:

The sector post-introduction of Real Estate (Regulation and Development) Act (RERA) is on the path to transformation, especially for the residential real estate segment. Some of the new regulations under RERA include disallowing the common practice among many developers of pre-launching projects without getting requisite approvals from the local authorities, making project registration mandatory with the regulator, and developers will have to disclose approval status, project layout and timeframe for completion to the regulator as well as customers. Additionally, in order to curb diversion of funds the developer will now have to deposit

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

70% of the project funds in a separate account which can only be used for the earmarked project. The Act also restricts developers from changing plans post approvals without the consent of the buyers further empowering the buyers.

Key Rating Strengths

Prior experience of promoter in real estate with projects in Mumbai and Goa

SWL is a real estate development company founded by families of Mr. Subodh Nemlekar & Mr. Mitaram Jangid. The group is into the real estate business for over two decades and has carried out various mid-size residential developments in Mumbai and Goa.

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short-term Instruments](#)

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

About the Company

Sumit Woods Limited [SWL] is a flagship company of Sumit group which is founded by families of Mr. Subodh Nemlekar & Mr. Mitaram Jangid. The group is into the real estate business for over three decades and has carried out various mid-size residential developments in Mumbai and Goa. Over the years, the group has completed more than 50 projects in Mumbai, Thane & Goa.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	29.59	46.13
PBILDT	8.76	10.65
PAT	0.82	3.15
Overall gearing (times)	1.93	1.44
Interest coverage (times)	1.27	1.63

A: Audited

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

About CARE Ratings:

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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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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-Term Loan	-	-	Oct 2022	45.00	CARE BB; Stable

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-Term Loan	LT	45.00	CARE BB; Stable	-	1)CARE BB; Stable (17-Apr-17)	-	1)CARE BB-(23-Feb-16) 2)CARE BB-(20-Jan-16)

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