

Press Release

Sumangalam Developers

28 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20 crore
Long Term Rating	SMERA BB+/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as SMERA double B plus) on the Rs. 20 crore bank facilities of Sumangalam Developers (SD). The outlook is '**Stable**'.

Sumangalam Developers, a partnership firm established on 8th July, 2015 is part of the Sumangalam Group established in 2001. The group is engaged in the real estate business and has developed several residential and commercial projects. Led by Mr. Ishwar Lal Saini, it has currently undertaken construction of a multi-storeyed residential project 'Shubh Atlantis' at Kota, Rajasthan.

Key rating drivers

Strengths

Experienced management

The firm was established by Mr. Ishwar Lal Saini and family. The promoter has collective experience of over two decades in the real estate industry.

Advanced stage of project completion and low funding risk

Development of 'Shubh Atlantis', a multi-storeyed residential project is underway since January 2016 at a total cost of Rs. 78.10 crore of which Rs. 49.80 crore (64 percent) has been incurred as on 20 March, 2018. The project cost is to be funded through promoter's infusion of Rs. 29.77 crore, term loan of Rs. 20 crore and advances from customers of Rs. 28.33 crore. The project has 2 towers with total saleable area of 3.19 lakh square feet to construct 256 residential flats and is expected to be completed in March 2019.

Comfortable booking levels

The construction is at an advanced stage with bookings for 140 units out of 256. The total saleable area is 3,19,267.56 per square feet. The firm expects revenue of Rs. 90 crore. The total value of booked units stands at Rs. 62.00 crore out of which advances of Rs. 27.00 crore has been received as on 20 March, 2018.

Weaknesses

Inherent cyclical in the construction sector

The real estate industry in India is highly fragmented with most of the developers having a city-specific or region specific presence. The risks associated with the industry are cyclical nature of business (drop in property prices), interest rate risk etc. Furthermore, the firm is also exposed to subdued demand, curtailed funding options, rising costs to name a few resulting in stress on cash flows.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Sumangalam Developers to arrive at the rating.

Outlook- Stable

SMERA believes that the firm will maintain a 'Stable' outlook in the medium term on the back of its experienced management and established presence in the industry. The outlook may be revised to 'Positive' if the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in liquidity on account of delay in project execution or collection of booking money.

About the Rated Entity Financials

	Unit	FY17 (Actual)	*FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.56	8.35	NA
EBITDA	Rs. Cr.	1.68	0.67	NA
PAT	Rs. Cr.	1.63	0.67	NA
EBITDA Margin (%)	(%)	12.35	8.07	NA
PAT Margin (%)	(%)	12.01	8.01	NA
ROCE (%)	(%)	19.53	29.32	NA
Total Debt/Tangible Net Worth	Times	0.20	0.00	NA
PBDIT/Interest	Times	252.43	675.83	NA
Total Debt/PBDIT	Times	1.19	-	NA
Gross Current Assets (Days)	Days	805	687	NA

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entity - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BB+ / Stable

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