

Press Release

SANDWOODS INFRATECH PROJECTS PRIVATE LIMITED

October 05, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 42.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 42.00 crore bank facilities of Sandwoods Infratech Projects Private Limited (SIPPL). The outlook is '**Stable**'.

SIPPL, based in Delhi, was established in 2004. The company possesses certificates such as ISO 9001 & 2008 and ISO 14001-2004. SIPPL is engaged in property development in Delhi NCR with a focus on luxury residences and is among the few developers that have delivered projects in Himachal Pradesh. The company's ongoing projects are Sandwoods Opulencia (Mohali) and Uma's Euphoria (Himachal Pradesh).

Key Rating Drivers:

Strengths

- Experienced management and established track record of operations**

The company is engaged in real estate development business since 2004 and has successfully executed five major projects in Shimla, Punjab and Mohali. SIPPL has two ongoing projects in Mohali and Himachal Pradesh. SIPPL is managed by Mr. S. K. Bagolia and Mrs. Uma Bagolia who possess more than two decades of experience in the real estate development business. The company has presence of more than two decade and has successfully made its mark in real estate market and is well known locally in Delhi NCR region.

- Location advantage**

SIPPL's ongoing projects i.e. Sandwoods Opulencia located at SAS Nagar in Mohali and Uma's Euphoria located at Kasauli in Himachal Pradesh are strategically located and are well connected to industrial Zone, educational institutes, entertainment centre, hospitals, airport, railway station which are in close proximity. Mohali is IT hub and Himachal Pradesh being tourist place has created job opportunities attracting urban population, migrants from nearby cities which in turn have increased demand for real estate in the region.

Weaknesses

- Geographic concentration**

SIPPL's presence is restricted to Northern region and caters to Delhi, Punjab and Himachal Pradesh. Also, the past projects both completed and ongoing are restricted to same region.

- Low customer advances and sales proceeds**

The company has two ongoing projects Sandwoods Opulencia and Uma's Euphoria which is 85.00 percent and 50.00 percent completed, respectively. Both the projects have received advances of Rs.39.82 crore against total sales of Rs.103.80 crore (38.36 percent of total sales) and advances of Rs.4.39 crore against total sales of Rs.13.21 crore (32.23 percent of total sales) till September 2018, respectively. The advances received are much lower due to different schemes and selling strategy followed by the company. The total customer advance is estimated to be ~Rs.68.00 crore from both the projects. Hence, going forward, the ability of the company to generate steady flow of customer advances and sales proceeds will be key rating sensitivity factor.

- **Cyclicality associated with real estate sector and regulatory risk**

SIPPL is associated with cyclicality in real estate sector which is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. Current scenario in real estate sector is marked by large amounts of unsold inventory and high borrowing costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth and more dependence on own funds. The sector is also exposed to regulatory risk which may impact players like SIPPL thereby impacting its operating capabilities.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SIPPL to arrive at this rating.

Outlook: Stable

Acuité believes that SIPPL will maintain a 'Stable' outlook over medium term on account of its experienced management and established track record in the industry. The outlook may be revised to 'Positive' in case the company achieves significantly higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances, high unsold inventory or in case of delay in project execution.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.66	34.28	37.17
EBITDA	Rs. Cr.	6.77	4.23	0.00
PAT	Rs. Cr.	1.68	0.55	-2.09
EBITDA Margin	(%)	21.39	12.34	0.01
PAT Margin	(%)	5.32	1.61	-5.63
ROCE	(%)	12.24	10.59	(0.54)
Total Debt/Tangible Net Worth	Times	1.96	1.81	0.67
PBDIT/Interest	Times	1.36	1.27	0.04
Total Debt/PBDIT	Times	5.78	7.81	224.36
Gross Current Assets (Days)	Days	932	715	414

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

India Ratings and Research vide its press release dated July 09, 2018 had denoted the rating of Sandwoods Infratech Projects Private Limited's as 'IND BB (ISSUER NOT COOPERATING) on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'IND BB /Stable' vide its press release dated 21 June, 2017.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Real Estate Entities :<https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

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 loans	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB / Stable
Mortgage Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB / Stable

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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