

## Press Release

### Sandwoods Infratech Projects Private Limited

December 31, 2019

#### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 42.00 crore
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE BB/ Stable)

\* Refer Annexure for details

#### Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 42.00 crore bank facilities of SANDWOODS INFRATECH PROJECTS PRIVATE LIMITED (SIPPL).

The downgrade is in view of persistent delays in servicing the interest and debt obligations.

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).

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sandwoods Infratech Projects Private Limited (SIPPL) to arrive at this rating.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

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.

##### Weaknesses

- **Significant project execution risk**

SIPPL is currently executing two projects, 'Sandwoods Opulencia' located in Mohali and 'Uma's Euphoria' located in Kasauli, for which all the required clearances have already been done and are expected to be completed by December, 2021 and March 2022, respectively. The total estimated cost of the 'Opulencia' project was ~Rs. 157.52 crores with a total saleable area of 6,62,270 sq. ft. However, the company has already incurred Rs. 163.22 crores till September 2019 against ~82 per cent completion. The total estimated cost of second project i.e. 'Uma's Euphoria' is Rs. 23.84 crores with a total saleable area of 47,070 sq. ft. and the company has incurred Rs. 15.6 crore till March 2019 against ~50 per cent completion.

However, the sales traction towards these projects has remained moderately low as compared to construction pace of the projects. The total saleable area of the Opulencia project stood at 6,62,270 sq. ft. with expected receivables of ~Rs.178.50 crore. The customer advances received as on 30th September 2019 is around Rs. 72.83 crore (40.8% of total expected revenue). Further, the total saleable area of the Uma's Euphoria project stood at 47,070 sq. ft. The customer advances received as on 31st March 2019 is around Rs. 5.25 crore.

The total project cost for Opulencia of Rs.157.52 crore is funded through equity of Rs. 45.40 crores, unsecured loans of Rs.10.00 crore, term loan of Rs. 40.00 crore and customer advances of Rs. 62.12 crore. Further, the total project cost for Uma's Euphoria of Rs.23.84 crore is funded through equity of Rs.5.36 crores, unsecured loans of Rs.5.09 crore, term loan of Rs. 8.00 crore and customer advances of Rs. 5.55 crore. Hence, SPPL's dependence towards customer advances will remain high for timely completion of the project and repayment of term loan. The traction in receipt of customer advances is dependent on project completion. The company's ability to execute projects as per schedule is highly dependent on timely receipt of customer advances, which forms major portion of the total funding requirement of the project. Hence, going forward the ability of the company to generate steady flow of customer advances and sales proceeds will be key rating sensitivity factor.

- Delays in servicing interest and repayment of term loans**

There have been delays in servicing of the interest on term loan and loan repayment obligations for the past few months resulting from stretched liquidity in the company due to moderately low salability and delay in the project resulting in a cost overrun.

#### **Material Covenants**

None

#### **Liquidity: Poor**

Liquidity of SIPPL is stretched marked led by delays in servicing debt obligation.

#### **About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	28.93	24.04
PAT	Rs. Cr.	0.57	0.33
PAT Margin	(%)	1.96	1.36
Total Debt/Tangible Net Worth	Times	2.06	2.11
PBDIT/Interest	Times	1.14	1.11

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

Not Applicable

#### **Any other information**

Not Applicable

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in Real Estate - <https://www.acuite.in/view-rating-criteria-63.htm>

#### **Note on complexity levels of the rated instrument**

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

### Rating History (Up to previous three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
14th Jan. 2019	Term Loans	Long Term	25.00	ACUITE BB/Stable (Assigned)
	Term Loans	Long Term	15.00	ACUITE BB/Stable (Assigned)
	Mortgage Loan	Short Term	2.00	ACUITE BB/Stable (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE D (Downgraded from ACUITE BB/Stable)
Term Loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded from ACUITE BB/Stable)
Mortgage Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D (Downgraded from ACUITE BB/Stable)

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### About Acuité Ratings & Research:

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