

## Press Release

### Sumit Woods Limited

February 03, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.55	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	8.55	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 8.55 Cr bank facilities of Sumit Woods Limited (SWL). The outlook is 'Stable'.

#### Rationale for Reaffirmation

The rating takes into account the experience of the promoters, long track record of operations of more than three decades and timely project execution for the period ended December 2021 despite the challenges due to Covid-19 induced lockdowns. The rating also considers the operational performance in terms of healthy sales and collection traction for completed and ongoing projects over the past twelve - month period ended December 2021. The rating also draws comfort from SG's moderate financial risk profile. However, the rating remains constrained due to execution risk for ongoing projects as well as planned launches, dependence on customer advances, geographical concentration and exposure to the inherent cyclical nature in the real estate market.

#### About the Company

Mumbai based SWL, was incorporated in 1997. The company is engaged in the construction of residential and commercial buildings across Mumbai and Goa since 1987. The promoters had started their business under the partnership firm named 'Sumit Constructions'.

The company is listed on National Stock Exchange (NSE). Mitasu Developers is a 100 percent subsidiary of SWL. Further, the 3 joint ventures, namely Sumit Chetna Venture (SCV), Sumit Kundil Joint Venture (SKJV) and Sumit Pragati Shelters LLP (SPS) are under the same debt obligation. The Group has five ongoing projects (1 under its subsidiary and 4 under SWL). The company has also undertaken a project under JV - Span Trident located at Bhayander - West, Thane (25.00 percent share of SWL). The group has executed over 56 projects since inception.

#### Analytical Approach

Acuite has consolidated the business and financial risk profile of Sumit Woods Limited (SWL), Mitasu Developers Private Limited (MDPL, currently 100% subsidiary of SWL), Sumit Chetna Venture (SCV), Sumit Kundil Joint Venture (SKJV) and Sumit Pragati Shelters LLP (SPS) together referred to as the 'Sumit Group' (SG). The consolidation is in view of the similar line of business and common ownership. Extent of Consolidation: Full.

## Key Rating Drivers

### Strengths

- **Experienced promoter and long track record of operations:**

SG is founded and managed by Mr. Mitaram R. Jangid, is a well-established group having business vintage of more than three decades in real estate development projects. Since 1987, SG has successfully delivered over 56 projects under SWL including projects with Joint Ventures in Mumbai and Goa. SG has executed 3 projects Sumit Bells Plot – C, Sumit Mount 5 and Sumit Garden Grove in FY2022 until December 2021. Further, the Group has 5 ongoing projects at different stages of execution.

Sumit Plumeria' located at Ponda, Goa started in September 2019 under SWL. The total cost of the project is Rs. 17.06 Cr of which Rs. 11.98 Cr has been incurred until September 2021. SG has received advances of Rs. 6.37 Cr until December 2021.

'ARCENCIEL - Sumit Shreenath Icon' located at Mulund West, Mumbai (Maharashtra) under SWL (Joint Development with ~61.52 per cent share of SWL and remaining ~35 per cent share of land owner). The cost incurred until September 2021 is to the tune of Rs. 38.32 Cr (43.07 percent) as against the total project cost of Rs. 88.97 Cr. Until Q3FY2022 the Group has received customer advances of Rs. 16.02 Cr.

Sumit One', located at Borivali West, Mumbai (Maharashtra). The project was launched in August 2021 and is in its nascent stages. The total project cost is Rs. 51.87 Cr of which Rs.10.50 Cr has been incurred until September 2021. SG has received customer advances of Rs. 5.03 Cr until December 2021.

Atulyam', located Matunga West, Mumbai (Maharashtra). The project was launched in September 2021 and is in its nascent stages. The total project cost is Rs. 115.85 Cr of which Rs.8.68 Cr has been incurred until September 2021. SG has received customer advances of Rs. 2.24 Cr until December 2021.

Sumit Bells, Plot A' project, which is developed by SG is located at Goa is at its nascent stages. The total cost of the project is Rs. 8.75 Cr. The Group has already incurred Rs.1.11 Cr until September 2021.

Acuite believes the timely execution of projects, extensive management experience and key locations of the ongoing projects will adequately support the business risk profile of the Group.

- **Timely completion of projects and healthy sales and collection traction:**

SG has managed timely completion of three projects in FY2022 until December 2021. The completed projects include Sumit Bells Plot – C, Sumit Mount 5 and Sumit Garden Grove. Further, the sales and collection traction against all completed projects has improved since March 2020. Out of the total units of 215 for all completed projects Sumit Bells Plot – C, Sumit Mount 5, Sumit Garden Grove, Sumit Lata and Sumit Greendale (Phase II) 15 units are left under unsold inventory.

For ongoing projects Sumit Plumeria and ARCENCIEL the sales and collection traction has improved since March 2020. The group received cumulative customer advances of Rs. 22.39 Cr with construction cost incurred of Rs. 50.30 Cr until December 2021. Further, the ongoing newly launched projects Sumit One and Atulyum are located in key locations of Mumbai. Hence, despite being in nascent stages of construction the sales and collection traction until December 2021 has been satisfactory. The group has incurred cumulative construction cost of Rs. 19.18 Cr and received customer advances of Rs. 7.27 Cr until December 2021.

Acuite believes the healthy sales and collection traction backed by funding support through debt and promoter infusion will mitigate the execution risk to some extent against ongoing projects.

### Weaknesses

- **High dependence on customer advances and execution risk:**

SG is currently executing five projects for which all of the required clearances have already been done. The total cost of these projects is ~Rs.282.50 Cr. Of the total cost Rs. 123.40 Cr is expected to be incurred through customer advances. The balance shall be funded through a mix of debt and equity. Group has incurred construction cost of Rs. 70.59 Cr for ongoing

projects against customer advances receipt of Rs. 25.51 Cr. The group's ability to execute projects as per schedule is highly dependent on timely receipt of customer advances, which forms a major portion of the total funding requirement of the projects. Any decline in sales and collection traction will adversely impact the timely completion of projects. Also, reduced collections will result into deterioration in the financial risk profile and liquidity.

Acuité believes to execute projects as per the schedule along with maintaining moderate financial risk profile, achieving sales traction towards ongoing projects will remain key rating sensitivity

#### • Susceptibility of real estate cyclicity and regulatory risks:

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. The current market scenario of COVID-19 would impact the completion of ongoing projects as, project sites are shut, migration of labour back to their hometowns and unavailability of raw material. The unsold inventory across eight major cities of the country stood at ~ 7 lac units as of March 2021 i.e. an inventory overhang of ~48 months. The residential sales during Q3 & Q4 showed a significant improvement over previous quarters. Also, the labour availability issues has been addressed for housing construction but there is a risk of an increase in prices of commodities such as steel and cement in the near to medium term.

#### Rating Sensitivities

- Timely execution of projects on the back of good sales and collection traction.
- Deterioration in financial risk profile and liquidity due to reduction in customer advances, pent up inventory and lower than expected average unit realization.

#### Material covenants

None.

#### Liquidity Position: Adequate

The liquidity of SG is adequate marked by healthy collection from projects of ~ Rs.30.01 Cr against repayment obligation of ~Rs. 15.48 Cr for the twelve-month period ended December 2021. Capex requirement are expected to increase going forward due to its future and ongoing projects partially funded by debt. Out of the total project cost of Rs. 282.50 Cr, 42 percent will be funded through debt. Further, SG has a cash balance of Rs. 3.24 Cr and liquid investments of Rs. 1.13 Cr. Going forward, the Group's collections are expected to be ~Rs.90.01 Cr and ~Rs.77.22 Cr against repayment obligations of ~Rs. 34.24 Cr and ~Rs. 32.46 Cr in FY2023 and FY2024 respectively.

#### Outlook: Stable

Acuité believes that SG will maintain 'Stable' business and financial risk profile in the medium term on the back of experienced management and established presence of the group in the real estate industry. The outlook may be revised to 'Positive' if the group generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the group's liquidity position on account of delays in project execution or lower than expected sales traction towards these projects.

#### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	47.04	48.74
PAT	Rs. Cr.	(23.67)	5.98
PAT Margin	(%)	(50.32)	12.26
Total Debt/Tangible Net Worth	Times	0.77	0.47
PBDIT/Interest	Times	(1.70)	2.37

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

None.

### Any other information

None.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Nov 2020	Term Loan	Long Term	8.55	ACUITE BBB-   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	22.35	ACUITE BBB- (Withdrawn)
14 Aug 2019	Dropline Overdraft	Long Term	22.35	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	8.55	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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