



Press Release
Sumit Woods Limited
November 14, 2024
Rating Upgraded

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BBB' (read as ACUITE Triple B)** from **'ACUITE BB+' (read as ACUITE Double B Plus)** on the Rs. 8.55 Cr. bank facilities of Sumit Woods Limited (SWL). The outlook is **'Stable'**.

Rationale for Upgrade

The rating upgrade considers experience of the promoters, their long track record of operations spanning more than three decades, and timely execution in the past. Further, the rating considers improved operational performance of Sumit Group in terms of healthy sales collection and traction, primarily for their Mumbai-based projects. There are three ongoing projects i.e., Sumit Bells Plot A, Sumit Gurukrishna and Sumit Param which are going as per the schedule.

However, the rating is constrained by execution risks associated with the ongoing projects and planned launches. Further, high dependence on customer advances, geographical concentration, and exposure to the inherent cyclicity in the real estate market also constrain the rating.

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. The group has three ongoing projects - Sumit Bells Plot A, Sumit Gurukrishna and Sumit Param.

About the Group

Sumit Group (SG), incorporated in 1987 and based in Mumbai is engaged in the construction of residential and commercial buildings across Mumbai and Goa. SG is in the business since last 38 years. SG has Mitasu Developers as 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). The Group has 5 ongoing projects -2 under its subsidiary - 'Mitasu Developers Private Limited' and 'Sumit Matunga Private Limited'(80 percent shareholding) and 3 under SWL. The group has executed over 64 projects since inception.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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

Snehashish Ventures, Sumit Snehashish Joint Venture, Sumit Kundil Joint Venture (SKJV), Sumit Pramukh Venture and associate Sumit Reality Private Limited together referred to as the 'Sumit Group'. The consolidation is in view of the similar line of business and common ownership.

Key Rating Drivers

Strengths

Experienced promoter and long track record of operations

SG, founded and managed by Mr. Mitaram R. Jangid, is a well-established group with a business history spanning more than three decades in real estate development projects. The group has three ongoing projects at different stages of execution, Sumit Bells Plot A is located in Goa and is nearing completion, Sumit Gurukrishna is located in Vile Parle, East, Mumbai and is expected to get complete by September 2025 and Sumit Param is located in Borivali West, Mumbai and started recently in July 2024. The total project cost of Sumit Bells Plot A is Rs.12.95 Cr, Sumit Gurukrishna is Rs.141.66 Cr. and Sumit Param is Rs.365.59 Cr.

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

Timely completion of past projects and healthy sales and collection traction in ongoing projects

SG has managed the timely completion of projects in the past. It has an unsold inventory of 9 units as of September 2024 from its completed projects, Sumit Plumeria and Arcenciel. SG has three ongoing projects; of these, two are based out of Mumbai and one is based out of Goa. Sumit Gurukrishna and Sumit Param are based in Mumbai. Project Sumit Gurukrishna has already sold 69.61% of its total saleable area as of June 2024 and Sumit Param was recently launched in July 2024. As on date sales made is low in Sumit Param but is expected to grow significantly over the near term. Goa-based project Sumit Bells Plot A has registered low sales traction; however, it is expected to improve, as the project is nearing completion. The percentage area sold in Sumit Bells Plot A is 50%.

Acuite believes the healthy sales and collection traction will help in mitigating the execution risk of ongoing projects to some extent.

Weaknesses

Dependency on customer advances and execution risk

SG is currently executing three projects (one of them nearing completion), for which all of the required clearances have already been obtained. The total cost of these projects is ~Rs.520.20 Cr. of the total cost, Rs.332.84 Cr. (63.98%) is expected to be incurred through customer advances. The balance will be funded through a mix of debt and equity. As of June 2024, the group has incurred total cost of Rs.122.41 Cr. on the three ongoing projects out of which Rs. 67.34 Cr. is funded through customer advances. The group's ability to execute projects as per schedule is highly dependent on the timely receipt of customer advances, which form 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 in a deterioration in the financial risk profile and liquidity position.

Susceptibility to Real Estate Cyclical and Regulatory Risks

The real estate industry in India is highly fragmented with most of the real estate developer having a city-specific or region-specific presence. The real estate industry is cyclical in nature of business and subject to price and interest rate risk, among others. Further, the industry is also exposed to regulatory risk, which can impact project execution.

Rating Sensitivities

- Execution of projects as per the timelines considered 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.

Liquidity Position

Adequate

The liquidity of SG is adequate, marked by a healthy collection from projects of ~ Rs.68.70 crore against a repayment obligation of ~Rs. 17.10 crore up till June 2024. Out of the total budgeted project cost of Rs.520.20 Cr, ~26.72 percent will be funded through debt. The company has a bank balance of ~Rs. 4.07 Cr. The company's DSCR is projected to be in range of 2.35-5.39 times over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	180.54	101.59
PAT	Rs. Cr.	10.36	6.98
PAT Margin	(%)	5.74	6.87
Total Debt/Tangible Net Worth	Times	1.19	1.58
PBDIT/Interest	Times	1.78	1.64

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

Not Applicable

Any Other Information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jul 2024	Term Loan	Long Term	8.55	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
04 May 2023	Term Loan	Long Term	8.55	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
03 Feb 2022	Term Loan	Long Term	8.55	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Apr 2031	8.55	Simple	ACUITE BBB Stable Upgraded (from ACUITE BB+)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Name of the companies
1	Sumit Woods Limited
2	Mitasu Developers Private Limited
3	Sumit Chetna Venture
4	Sumit Snehashish Ventures
5	Sumit Snehashish Joint Venture
6	Sumit Kundil Joint Venture
7	Sumit Pramukh Venture
8	Sumit Reality Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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