

Press Release

Sukhi Jeevan Buildcon LLP

October 29, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.14.68 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 plus**) on the Rs.14.68 crore bank facilities of SUKHI JEEVAN BUILDCON LLP. The outlook is '**Stable**'.

Established in 2016, Sukhi Jeevan Buildcon LLP (SJBL) is promoted Mr. Vivek Choudhary, Mr. Sadhu Ram Yadav, Mr.Ram Singh Chaudhary and Mr.Kishore Kumar and is engaged in construction of residential building in Shahpura of Rajasthan. The firm is executing it's one of the first project 'Sukhi Jeevan', located in Village Bidara, Shahpura. The project is divided into fourblock: Block-A having 173 units, Block-B having 206 units, Block-C having 212 units and Block-D having 158 units.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Sukhi Jeevan Buildcon LLP (SJBL) to arrive at this rating.

Key Rating Drivers

Strengths

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

The firm is promoted by Mr. Vivek Choudhary, Mr. Sadhu Ram Yadav, Mr.Ram Singh Chaudhary and Mr.Kishore Kumar. The partners have been associated with other company engaged in construction business for over three decades. However, Sukhi Jeevan is one of the first real estate project the firm will be executing. Acuité believes the partners' experience in construction business have resulted in time execution of project and traction in customer advances. Further, timely execution of project with significant traction in customer advances will be a key monitor able.

- **Presence of ESCROW mechanism along with Debt-service reserve account (DSRA)**

SJBL will be maintaining escrow account through which cash flows from advance bookings/sale proceeds shall be routed and 30 per cent of the amount will be deposited into Term Loan Escrow account. Furthermore, a debt service reserve account (DSRA) equivalent to three months interest has been maintained by the firm.

Weaknesses

- **High salability and execution risk**

SJBL is currently executing a project, 'Sukhi Jeevan' located in Village Bidara, Shahpura for which all of required clearances have already been done. The total cost of the project is Rs.42.47 crore which is divided into 4Blocks. Out of the total construction area of 32,4561 sq. ft. the firm has constructed ~113590 sq. ft. (~35.00%). The construction cost incurred as on 21st September 2019 stood at Rs.18.37 crore (~43.25%).

The sales traction towards this project has remained in lines with the construction pace of the project. The total saleable area of the project stood at 32,4561 sq. ft. with expected receivables of ~Rs.63.39 crore. The booking levels stood at ~39.05 per cent of the total saleable area. However, the customer advance received stands low as on 21stSeptember 2019 and is around Rs.9.18crore (14.50% of total expected receivables).Acuité believes, SJBL's dependence towards customer advances will remain high for timely completion of the project. The traction in receipt of customer advances is dependent on project completion. The firm'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. Further, timely receipt of customer advances will remain a key rating sensitivity factor.

• **Susceptibility to Real Estate cyclical 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 real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others which could affect the operations. Firm is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. However, as SJBL is doing projects under Chief Minister AwasYojana (CMAY) the risk gets mitigated as the prices for these houses are low.

Liquidity Profile

SJBL's liquidity is supported by moderate cash inflows reflected from moderate advances from customers as a part of total expected advances from the project. The firm has received Rs.9.18 crore in the form of customer advances which is ~14.50 percent of the total expected customer advance. As per the repayment schedule, the repayment of term loan is expected to commence from April, 2022. Firm has total debt outstanding of Rs.4.10 crore as on 21September 2019. Any delay in launching the project or lower than expected cash realization from flat booking will result in stretched liquidity position.

Material Covenants

Not Applicable

Outlook: Stable

Acuité believes that firm will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its experience of promoters. The outlook may be revised to 'Positive', if the firm generates higher than expected traction in sales along with completion of project before the stipulated timelines. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in project execution or lower than expected sales traction towards these project

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.40	NA	NA
EBITDA	Rs. Cr.	0.05	0.00	0.00
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin	(%)	12.74	NA	NA
PAT Margin	(%)	1.11	NA	NA
ROCE	(%)	1.07	0.07	(2.26)
Total Debt/Tangible Net Worth	Times	0.96	0.23	0.66
PBDIT/Interest	Times	1.09	1.28	NA
Total Debt/PBDIT	Times	56.32	524.27	(35.09)
Gross Current Assets (Days)	Days	10341	NA	NA

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.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/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	14.68	ACUITE BB+ / Stable (Assigned)

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About Acuité Ratings & Research:

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