

Press Release

Sukhi Jeevan Buildcon LLP

March 31, 2021



Rating Upgraded & withdrawn

Total Bank Facilities Rated*	Rs. 14.68 Cr.
Long Term Rating	ACUITE BB+ (Upgraded from ACUITE BB and Rating Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BB+** (read as ACUITE Double B plus) from '**ACUITE BB**' (read as ACUITE Double B) on the Rs. 14.68 Cr bank facilities of Sukhi Jeevan Buildcon LLP (SJBL). The rating is simultaneously withdrawn at the company's request and on receipt of a no-objection certificate from the bankers. The withdrawal is in line with Acuité' policy on withdrawal of bank loan ratings.

The rating upgrade is on account of extensive experience of the promoters in the real estate industry, steady improvement of cash flows coupled with advanced stage of project execution, low funding risk, modest booking and healthy customer advances, advance repayment of project Loan. These strengths are partially offset by moderate offtake risk and exposure to cyclical in the industry.

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. SJBL is involved in the development of residential as well as commercial real estate projects 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 four blocks: 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 taken the standalone view of business and financial risk profile of SJBL to arrive at the rating.

Key Rating Drivers

Strengths

• 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. Acuité believes that the promoter's experience in the construction and real estate industry and improving demand for the residential units in Shahpura area are expected to support in a successful sale of the units, and timely completion of the project.

• Advanced stage of project execution and Low funding Risk

The construction progress has remained as per schedule of completion in April 2022, with about 70% completion of construction till February 2021. Out of the expected cost of project of Rs 42.47 Cr, Rs. 28.61 Cr (63 percent) was already incurred till February 2021. The cash inflow of the project is about Rs. 34 Cr (80 percent) till February 2021. The firm has repaid Rs. 9.25 Cr out of sanctioned debt of Rs. 14.68 Cr through its healthy customer advances received about of Rs. 23.70 Cr. Acuité expects that timely completion of projects would be a key rating sensitivity factor.

Weaknesses

- **Moderate offtake risk**

A large portion of the project was yet to be sold (around 456 units yet to sell out of 715 units) which leads to a moderate demand risk. Acuité believes that an adequate fund in place and adequate advances received from customers provides a larger scope for financial flexibility and charging a premium for the sale of the unsold space.

- **Risks and cyclical in the real estate sector**

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 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 and the pandemic has further exacerbated the situation, with sales and collections witnessing moderation in Q1FY2021. Though the performance is likely to improve gradually, sales and collections are expected to remain subdued in FY2021. Cyclical in the real estate sector could result in fluctuations in cash inflow and volatility in sales. The residential real estate sector has remained constrained by subdued demand and bearish consumer sentiment over the past few years. Any decline in demand could adversely impact sales velocity and collections and, thus, weaken the financial risk profile. The company has not launched any major project in the last one year due to subdued market sentiment in real estate.

Liquidity Position: Adequate

SJBL's liquidity is adequate with regular flow of customer advances against its construction cost. The project loan has an escrow mechanism and first charge on cash flows from the project. A debt service reserve account (DSRA) equivalent to three months interest has been maintained by the firm, which adds cushion to the liquidity. The repayment on this sanctioned project loan Rs.14.68 Cr is expected to commence from Q12022 with a repayment tenor of 2.0 years. Due to healthy customer advances in place, the firm made prepayment of Rs.9.25 Cr and also has available sanction of Rs 2.22 Cr cushions liquidity.

Rating Sensitivities

- Faster-than-expected project execution and saleability
- Significant delay or cost overrun in projects
- Sharp decline in cash flow, by slackened salability of project or delays in project execution

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	8.53	0.40
PAT	Rs. Cr.	1.06	0.00
PAT Margin	(%)	12.46	1.11
Total Debt/Tangible Net Worth	Times	1.28	0.96
PBDIT/Interest	Times	4.23	1.09

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

None

Any other information

None

Material covenants

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-January-2021	Term Loan	Long Term	14.68	ACUITE BB Indicative (Downgraded from ACUITE BB+/Stable)
29-October-2020	Term Loan	Long Term	14.68	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 Loan	September-2008	Not Applicable	March-2021	14.68	ACUITE BB+ (Upgraded from ACUITE BB and Rating Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate Ratings Tel: 022-4929 4041 aditya.gupta@acuite.in Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavansankar.oruganti@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in

About Acuité Ratings & Research:

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