

## Press Release

### Suraksha Properties

04 August, 2020

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 18.00 Cr.
<b>Long Term Rating</b>	ACUITE B+/Stable (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.18.00 crore of bank facilities of Suraksha Properties (SP). The outlook is 'Stable'.

Suraksha Properties was established as a partnership firm in 2016 by Mr. R. Dinesh and Mr. Sarvesha Y Reddy. The firm is engaged in first real estate development in Bangalore. The firm has acquired a commercial building of 51,505 sq. ft. of the super built-up area from the Debt Recovery Tribunal-II, Bangalore in July 2019 and is currently engaged in the renovation of the said complex including providing necessary infrastructure, interiors and fit-outs and will thereafter let the same out for rent.

#### **Analytical Approach:**

Acuite has considered the standalone business and financial risk profile of SP while arriving at the rating.

#### **Key Rating Drivers:**

##### **Strengths**

##### **Experienced management**

The partners of the firm Mr. R Dinesh and Mr. Sarvesha Y Reddy have more than a decade experience in real estate business through other organizations. Acuite believes that the promoter's vintage in the real estate industry will support in improvement of its business risk profile over the medium term.

##### **Favorable location of the project**

The firm is currently developing commercial complex in MG Road, Bangalore Acuite believes that the favorable location of the project would continue to benefit the firm in terms of healthy offtake by tenants.

##### **Weaknesses**

##### **Limited track record of operation**

The firm is currently renovating the first commercial complex in Bangalore and expected to commence from December 2020 onwards. Timely completion of the project and the ability to scale up its business will remain a key rating sensitivity factor.

##### **Growing concerns associated to 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. Cyclicalities in the real estate sector could result in fluctuations in cash inflow and volatility in sales. In contrast, cash outflow, such as for debt servicing, is relatively fixed. The residential real estate sector has remained constrained by subdued demand and bearish consumer sentiment over the past few years. Currently, the real estate sector is under stress on account of large amounts of unsold inventory and high borrowing costs due to lack of demand and labour. The sector has been facing liquidity crunch since the financial defaults in 2018, leading to a pile-up of unsold apartments. That coupled with an economic slowdown and stricter housing law has stalled many housing projects. Therefore, any decline in demand could adversely impact sales velocity and collections and, thus, weaken the financial risk profile. This partially offset as the projects are located well-connected areas of Kolkata. The company was completely shut down for the entire lock-down period and resume their renovation work from the mid of June 2020.

##### **Rating Sensitivity**

- Timely completion of the ongoing commercial project.
- Firm's ability to scale up the business and onboard clients in the near term.

##### **Material Covenant**

None

### Liquidity Position: Stretched

SP's liquidity is stretched considering the limited track record of operation and significant requirement of funds for the loan repayment. The projected debt service coverage ratio (DSCR) will be low during FY2020-21 at below unity. Going forward, Acuite believes the DSCR of the company will improve backed by steady rental income from the property.

### About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	0.00	-
PAT	Rs. Cr.	(0.03)	-
PAT Margin	(%)	-	-
Total Debt/Tangible Net Worth	Times	0.85	0.50
PBDIT/Interest	Times	-	-

### 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>
- 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)

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 Loan	Not Available	Not Applicable	Not Available	17.75	ACUITE B+/Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B+/Stable (Assigned)

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**About Acuite Ratings & Research:**

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