

Press Release

Sangath Infrastructures Private Limited

March 03, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	82.50	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	82.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) to the Rs. 82.50 crore bank facilities of Sangath Infrastructures Pvt Ltd (SIPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating reflects an established track record of the Sangath group in real estate development of around 50 lakh square feet, completion of more than 30 projects and also, the locational advantage of the current ongoing project. These rating strengths are partly offset by the project execution risk and susceptibility of the business to real estate cycles.

About the Company

Incorporated in 2010, Sangath Infrastructure Pvt Ltd is a flagship company of Sangath Group. The Group is into construction and development of commercial and residential properties since 1981. Sangath Group has completed 30 projects and 2700 individual units in a span of 40 Years. The group is currently managed by Mr Sanjaykumar Ambalal Jain, his brother Mr Jiteshkumar Ambalal Jain and their sons Mr Sarang Sanjay Jain and Mr Jinang Jitesh Jain. The group has developed an area of 50 lakh square feet so far. The Group is mostly engaged in residential real estate which constitutes of 85% of development with majority of projects being completed in Northern Ahmedabad and Gandhinagar region of Gujarat.

SIPL is currently developing two residential projects namely Smart Life 1 & Smart Life 2 in Gift City, Gandhinagar. Both of the projects are 21 floor- 2 tower residential apartment with space on ground floor for commercial shops. Smart Life 1 has a total 168 flats & 11 shops with a total saleable area of 1,12,538 square feet whereas Smart Life 2 has a total 168 flats & 10 shops with a total saleable area of 1,12,096 square feet. The cost of the project for Smart Life 1 & Smart Life 2 are Rs 153.40 Cr (excluding finance cost).

The company has also recently completed a Commercial Project - Central in Motera, Ahmedabad with a saleable area of 83,011 square feet and a construction cost of Rs 47 Cr.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SIPL for arriving at this rating.

Key Rating Drivers

Strengths

>Experienced management and established track record

SIPL is a part of Sangath Group who is into real estate business since 1981. The family run group is promoted and managed by Mr. Sanjay Ambaylal Jain, his brother Mr Jitesh Ambalal Jain and their sons. Mr. Sanjay Ambalal Jain has over three decades of experience in the construction and development of real estate. The Group has an established track record of developing an area of around 50 lac square feet. Since inception, Group has completed 30 projects. Currently, company is developing residential projects namely Smart Life-1 and Smart Life-2 in GIFT City, Gandhinagar and a Commercial Project - Central in Motera, Ahmedabad. The company has obtained all the necessary approvals for its ongoing projects. Further, SIPL has completed various green building projects out of which three have been registered with Indian Green Building Council and are also in line with GIFT City adherence to Green Building Projects.

Acuité believes SIPL will continue to benefit from extensive experience of its promoters and its established track record of executing projects on time.

>Locational advantage in ongoing projects

SIPL is developing its ongoing projects at GIFT City, Gandhinagar which is the smart city development project, facilitated by the Central Government. India's first International Financial Services Centre (IFSC) has been set up in GIFT City and is witnessing a gradual expansion with supportive policies of the Government. It is located at the bank of Sabarmati River and is nearby to Airport and also have good connectivity to State and National Highway which increases the locational advantage.

Acuité expects that strategic location of the ongoing projects of SIPL is likely to have a favorable impact on demand, thus reducing the demand risk to some extent.

Weaknesses

>Project Execution Risk

SIPL is currently developing two residential projects- Smart Life 1 & Smart Life 2, both are two tower twenty-one floor residential building at GIFT City, Gandhinagar. Smart Life-1 has 168 flats and 11 commercial shops with a saleable area of 1,12,538 square feet whereas Smart Life-2 has 168 flats and 10 commercial shops with a saleable area of 1,12,096 square feet. The total cost of the project (excluding finance cost) for Smart Life-1 & 2 is Rs 76.70 Cr each. Out of the total construction cost Rs. 153.40 Cr (excluding finance cost) will be funded by Rs. 29.39 Cr of promoter contribution, Rs 34.76 Cr of Unsecured Loan, Rs. 54 Cr will be through debt and rest through customer advances. Although financial tie-up for the debt is completed, the construction work has made moderate progress. While construction has started for Smart Life -1 and completed to the extent of more than 45%, construction for Smart Life -2 has just started in December 2021. Out of the total construction cost of Rs 76.70 Cr, Rs 37.90 Cr (49 percent) has been incurred till January 2022 for Smart Life -1, of which Rs 14 Cr has been funded by customer advances, Rs 8.20 Cr by Term Loan and rest by promoters' contribution. The projects are exposed to substantial completion risk. Further, SIPL will also be dependent on customer advances for the timely execution of the projects.

The completion of projects without any time and cost overruns will remain a key rating sensitivity.

>Susceptibility to Real Estate Cyclicity, Geographical concentration 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. Most of SIPL's past and ongoing projects are located in North Ahmedabad and Gandhinagar, this increases SIPL's susceptibility to

geographical concentration risk. 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

- Completion of projects without time and cost overruns
- Susceptibility to regulatory and geographical concentration risks

Material covenants

None

Liquidity Position: Stretched

SIPL's proportion of receivables against construction cost remains at 0.92 times. Although company has a financial-tie up in place for ongoing projects, it has high dependence on customer advances for completion of the projects and subsequent debt repayment. Acuité believes that the liquidity profile of SIPL will remain stretched on account of high dependence on customer advances for both project completion and debt repayment and its financial flexibility may come under pressure in case of lower than expected sales traction.

Outlook: Stable

Acuité believes that SIPL will continue to maintain a "Stable" outlook over the near to medium term owing to its established market position in Ahmedabad and experience of management in the real estate market. The outlook may be revised to "Positive" in case the company achieves higher than expected customer advances and the projects are executed within the timelines. Conversely, the outlook may be revised to "Negative" if there are significant delays in the project execution.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	37.05	24.65
PAT	Rs. Cr.	2.88	2.31
PAT Margin	(%)	7.77	9.36
Total Debt/Tangible Net Worth	Times	1.86	1.77
PBDIT/Interest	Times	1.91	1.74

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

Not Applicable

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>
- 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:

Not Applicable

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	Lease Rental Discounting	02-01-2021	8	05-02-2033	13.50	ACUITE BB Stable Assigned
Aditya Birla Finance Limited	Not Applicable	Term Loan	24-03-2021	11	24-03-2029	15.00	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Term Loan	18-10-2021	11.05	15-12-2026	27.00	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Term Loan	18-10-2021	11.05	15-12-2024	27.00	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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