



Press Release
Sangath Infrastructures Private Limited May 29, 2023

Rating Reaffirmed

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

Rating Rationale

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

Rationale for rating reaffirmation

The reaffirmation in the rating takes into account SIPL's steady sales and collection traction in its key ongoing projects (SMART LIFE-1 and SMART LIFE-2) in Ahmedabad during FY2022 and 11MFY2023. As on February 2023, collectively for both projects, SIPL has been able to sell area of around 9492 Sq. Ft at Rs.106.22 Cr against which Rs.67.47 Cr has been collected in the form of customer advances. The rating also draws comfort from established past track record of the Sangath group in real estate development and the locational advantage of the current ongoing projects. These rating strengths are partly offset by the project execution risk and susceptibility of the business to real estate cyclicity and regulatory risks.

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 178 flats & 11 shops with a total saleable area of 1,12,538 square feet whereas Smart Life 2 has a total 178 flats & 11 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).

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 of development

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 Rivers 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 178 flats and 11 commercial shops with a saleable area of 1,12,538 square feet where as Smart Life-2 has 178 flats and 11 commercial shops with a saleable area of 1,12,096 square feet. The total cost of the project for Smart Life-1 is Rs.81.64 Cr & for Smart Life-2 is Rs.85.15 Cr. As on February, 2023, construction of Smart Life 1 is ~98% completed with total cost incurred of Rs. 71.15 Cr. Smart Life 2 is in its initial stage of construction will total cost incurred of Rs. 14.60 Cr. The construction for Smart Life -2 was started in December 2021 and is estimated to be completed by December, 2025. Further, the company has started 3 more projects simultaneously namely 'Pratistha', 'Accolade' & 'Platform', out of which Pratistha and Accolade are under RERA approval. Hence, 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

Adequate

The liquidity profile of the company is adequate on account of adequate cushion between repayments and cash inflows. Sales and collection traction from both ongoing projects has been healthy. Further, the company does not plan to undertake any additional funding from bank and would rely on customer advances and unsecured loans from promoters and directors as and when required. The company's average DSCR is projected to be approx. 1.84 times. Further, due to robust collections from customer, the debt drawn down for construction of 'Smart Life-1' was significantly lower than estimated. Going forward, maintenance of the steady sales and Timely inflow of collections from customers will aid SIPL to maintain its liquidity position at adequate level.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	46.33	37.05
PAT	Rs. Cr.	5.23	2.88
PAT Margin	(%)	11.29	7.77
Total Debt/Tangible Net Worth	Times	1.42	1.86
PBDIT/Interest	Times	2.44	1.91

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

In order to inform the investors about complexity of instruments, Acuite 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
03 Mar 2022	Term Loan	Long Term	13.50	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	27.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	27.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	13.50	ACUITE BB Stable Reaffirmed
Aditya Birla Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	27.00	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	27.00	ACUITE BB Stable Reaffirmed

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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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