

Press Release

Sri Sai Suvidha Developers

January 23, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	27.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ B+**' (read as **ACUITE B plus**) on the Rs. 27.00 Cr. bank facilities of Sri Sai Suvidha Developers (SSSD). The outlook is '**Stable**'.

Rating Rationale:

The rating assigned reflects the strategic location advantage of the ongoing project with multiple connectivity options to airport, railway station, markets etc. Also, the project has already been registered with state RERA. However, the rating is constrained by the limited experience of the promoters in the housing construction sector. Additionally, the project is at the nascent stage of construction with approx. 40% of the funding of the project is to be sourced from advance from sale of apartments, the cash inflow from the same will remain uncertain basis of market dynamics.

About the Company

M/s. Sri Sai Suvidha Developers is a partnership firm by virtue of its constitution established on 15th September 2020. The Managing Partners of the firm are Sri Gottumukkala Avinash and Sri Shourya Terala. The firm was established with the main object of carrying on the business of all Houses, Housing Lay types of contracts works construction of Residential apartments, houses etc., and any other business of allied nature and as may be decided by the partners of the firm from time to time.

Analytical Approach

Acuite has taken a standalone view of the business of SSSD to arrive at the rating.

Key Rating Drivers

Strengths

Location Advantage

The Company is constructing two towers of residential building (Block A & Block B) in Saroor Nagar, Ranga Reddy, Telangana. The construction is expected to be completed by Q3 of FY 2025. The residential complex will host a number of recreational facilities. The location of the project is strategic, wherein, the airport, railway station, markets etc. are well connected.

Also, the project has already been registered with state RERA.

Weaknesses

Project Execution Risk and Inexperienced Field

The partners of the firm are from various industries / fields such as poultry, warehousing, commercial construction etc. However, they not have significant experience in the field of housing construction. The construction of the project is currently at nascent stage wherein the cost incurred is Rs 20.50 Cr only out of total cost of Rs 107.22 Cr. The Rs 20.50 cost incurred is through term loan from bank of Rs 7.57 Cr, equity of Rs 5.14 Cr and promoters contribution of Rs 7.71 Cr. Further, the firm has high dependence on sales traction with 40% of the project is expected to be funded through advances from customers. to be received from sale of apartments. Although, as on December 31, 2022, the firm has sold one flat Thus, over-reliance on Advance from Customers to fund the project may cause the completion to be delayed in the unfavourable event that the firm is unable to achieve the sales targets.

Execution of project on timely manner without any cost overruns is a key rating sensitivity.

Susceptibility to Real Estate Cyclicity 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. 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

- Timely completion of project without any cost overruns
- Susceptibility to regulatory and geographical concentration risks

Material covenants

None

Liquidity Position Adequate

The Liquidity position can be speculated to be adequate with the majority portion of the funding for the project being contributed by the promoters and the balance by bank loan. Further, the company has debt-tie up already in place from the banks. However, higher dependence on customer advances may impact the liquidity going forward.

Outlook: Stable

Acuité believes the outlook on SSSD will remain 'Stable' over the medium term basis of the project being constructed. The outlook may be revised to 'Positive' if the entity is able to service the debt borrowed in a timely and efficient manner. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	1.50	0.00
PBDIT/Interest	Times	10.03	1.24

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>
- 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:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	27.00	ACUITE B+ Stable Assigned

Contacts

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About Acuité Ratings & Research

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