



Press Release
Sri Sai Suvidha Developers
July 04, 2024
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed 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**'.

Rationale for Rating

The reaffirmation is based on benefits derived from the experience of the promoter in real estate development and the support extended by the promoter developer through regular infusion of funds in the form of unsecured loans and partners' capital. These strengths are, however, susceptibility to real estate cyclicity and regulatory risks. The firm is into the construction of residential complex in Ranga Reddy district in Telangana State. The firm consists of 7 partners, wherein, a few partners contain experience of commercial real estate development, whilst a few partners are from other industries. The Financial Risk Profile of the entity cannot be accurately assessed at this stage as it is a future project, and the existence of the entity is for the purpose of the project.

About the Company

Telangana Based, 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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Stable business risk profile

The firm is into the construction of residential complex in Ranga Reddy district in Telangana State. The firm consists of 7 partners, wherein, a few partners contain experience of commercial real estate development, whilst a few partners are from other industries. Further, the total cost of the project is Rs. 107.22 crore of which about Rs. 38.72 Cr. is undertaken as on March 2024. The demand for the project is market driven and has been considered as a rating sensitivity. Till date, the management has sold 27 flats, however, they are bullish that

sales will increase this year as the firm has not yet started marketing the project. Furthermore, the term loan of Rs. 27.00 crore have been disbursed up to Rs. 7.50 crore as on May 2024 Partners have infused approx. Rs. 7.00 crore and Rs.6.5 crore are still pending. The flats are to be sold at an approx. rate of Rs. 6,000 per sq. ft. which will be susceptible to variation due to demand. Additionally, the landlord is to receive possession of about 109 flats out of 240 flats against the land on which the project is being constructed. The management states that the pricing of the sq. ft. rate will be dynamic, which will vary basis of the market situation. The Financial Risk Profile of the entity cannot be accurately assessed at this stage as it is a future project, and the existence of the entity is for the purpose of the project.

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 Q1 of FY 2027. The residential complex will host several 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

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
- Timeliness In receipt of customer advances
- Timely infusion of promoter's contribution on need basis

Liquidity Position

Adequate

The Liquidity position is likely to be adequate with nil debt obligation repayment this year as the project has not reached COD, the repayments cycle is expected to be rescheduled by an year and start from next year. As on March 2024, the partners have infused funds in business of Rs. 7.00 crore in the form of equity and USL from. The management is expected to infuse more capital on need basis; the remaining Rs. 27 crore were raised through term loans and the advances from sale of flats to customers.

Outlook: Stable

Acuité believes the outlook on SSSD will remain 'Stable' over the medium term as the promoters have experience in executing real estate projects. The outlook may be revised to 'Positive' if the entity is able to service the debt borrowed in a timely and efficient manner and make substantial progress on customer bookings. Conversely, the outlook may be revised to 'Negative' in case of lower than expected off-take from projects and delay in servicing debt obligations timely.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(5.15)	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	1.86	1.18
PBDIT/Interest	Times	(2.58)	1.00

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 Investment Trust (REIT): <https://www.acuite.in/view-rating-criteria-81.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
17 Apr 2024	Term Loan	Long Term	27.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
23 Jan 2023	Term Loan	Long Term	27.00	ACUITE B+ 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
Canara Bank	Not avl. / Not appl.	Term Loan	01 Sep 2022	Not avl. / Not appl.	06 Mar 2025	Simple	27.00	ACUITE B+ 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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