



Press Release
SURUCHI PROPERTIES PRIVATE LIMITED
January 12, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	450.00	ACUITE B Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	450.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 450.00 Cr Non Convertible Debentures of Suruchi Properties Private Limited (SPPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned takes into account the experience and established track record of Century group in Bangalore real estate market, ownership of land parcels at multiple locations and favourable project locations. However, the rating is constrained by nascent stage of the all three projects, high dependency on refinance of the debt through issue of NCDs, high dependency on sales and timely collections from customers for source of finance and exposure to the risks in the real estate industry.

About the Company

Incorporated in 2003, Suruchi Properties Private Limited is based in Bangalore. The company is engaged in execution of residential and commercial projects. Currently the company is managed by Mr. Pai Panemangalore Ashwin, Mr. Ravindra Panemangalore Pai.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Suruchi Properties private limited (SPPL) for arriving at the rating.

Key Rating Drivers

Strengths

Established track record of operations

Suruchi properties private limited (SPPL) is part of Century group, one of the leading real estate group based out of Bangalore. Century group possess the land bank of 3000 acres with development portfolio of over 20 million Sq fts comprising of both residential and commercial properties. SPPL is a group company of Century group and currently engaged in development of residential project namely Golfview located at Indiranagar, Bangalore with total saleable area of 8,73,238 Sq fts. Other projects under group includes residential project at Bidalur with total saleable area of 5,81,760 Sq fts under one of the group company Century

prime properties private limited and another project named as Wintersun which includes sale open plots and villas with total saleable area of 1,83,300 Sq fts under Century Northside, a firm

under Century group. SPPL is managed by Mr.P Ravindra Pai and Mr.Ashwin Pai.

Weaknesses

High dependency on refinance through issue of NCDs and collection from customers for debt servicing

SPPL is planning to issue NCDs worth Rs.450 Cr which will be utilised for JDA settlement with previous developer and will be utilised for repayment of group company's debt in order to release the collateral charges on land parcels on which SPPL is planning to construct Golf view project. Balance amount will be utilised for the construction of Golfview project, Wintersun project and Bidalur project. Cash flows of the three projects will be utilised for repayment of NCDs debt obligations. However, successful issue of NCDs is dependent upon the compliance of various precedent conditions laid down in the term sheet. Timely issue of NCDs and timely servicing of debt obligations would be key rating sensitivities.

Susceptibility to Real Estate Cyclicity, Regulatory Risks and intense competition in the industry

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players. Furthermore, the group would continue to remain exposed to intense competition from larger players in Karnataka like salapura sattva group, shobha group, Prestige group, purvankara group, Brigade group amongst others.

Rating Sensitivities

- Timely issue of NCDs
- Timely servicing of debt obligations
- Timely completion of the project development
- Timely sale of units and realisation of its customer advances

Liquidity Position: Stretched

SPPL's liquidity is stretched marked by high dependency on cash flows from sales and timely collection of customer advances from three projects in order to repay its debt obligations. Liquidity is expected to be aided after official launch of the project through receipt of customer collections.

Outlook: Stable

Acuité believes that SPPL will maintain stable credit profile on account of its established track record of century group. The outlook may be revised to 'Positive' in case of higher than expected advances from customers resulting in adequate cash flows for early completion of the project and timely repayment of the debt obligations. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.05)	(0.09)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(11.93)	(12.62)
PBDIT/Interest	Times	0.00	(172.00)

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	450.00	ACUITE B Stable Assigned

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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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