

Press Release
SURUCHI PROPERTIES PRIVATE LIMITED
January 10, 2025
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short T
Non Convertible Debentures (NCD)	450.00	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	450.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB-**' (read as **ACUITE Double B minus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.450.00 Cr. Non Convertible Debentures of Suruchi Properties Private Limited (SPPL). The outlook remains '**Stable**'.

Rationale for rating

The rating upgrade takes into account the significant increase in sale of unsold units coupled with higher realisations from all the three projects namely- Golfview, Trails and Wintersun. The rating also factors in SPPL's ability to maintain adequate liquidity position through better cash accruals over the medium term to service its debt obligations. Further, the rating is strengthened by the experience and established track record of Century group in Bangalore's real estate market and ownership of land parcels at multiple locations. However, these strengths are partially offset by execution risk since majority of the project cost is yet to be incurred and the company will be funding this balance cost through the customer collections. Also, the project receivables are susceptible to real estate cyclicity, regulatory risk and intense competition in the industry.

About the Company

Incorporated in 2003, Suruchi Properties Private Limited is based in Bengaluru. The company is engaged in execution of residential and commercial projects. Currently the company is managed by Mr. Ashwin Pai and Mr. Ravindra Pai. Currently SPPL is engaged in development of residential project namely Golfview located at Indiranagar, Bangalore with total saleable area of 8,95,180 Sq. ft. Further, other projects under group includes a residential project called Trails at Bidalur with total saleable area of 5,81,760 Sq. ft. under a group company named as Century Prime Properties Private Limited and a third project named Wintersun plots and villas with total saleable area of 1,83,300 Sq. ft. under a group firm, Century Northside.

About the Group

Established in 1973, Century Real Estate Holdings Private Limited is a leading professional real estate builder and developer based in Bengaluru. The company has over 3,000 acres of land bank and over 20 million sq. ft. of quality residential and commercial assets under construction. Century group has various ongoing projects across Bengaluru offering residential options, from plots and villas to apartments.

Unsupported Rating

Not Applicable.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the cashflows of Suruchi Properties Private Limited and its group companies namely, Century Prime Properties Private Limited and Century Northside. The consolidation is in view of the operational and financial linkages along with cashflow fungibility among the projects and common management.

Key Rating Drivers

Strengths

Established track record of operations

Suruchi Properties Private Limited (SPPL) is a part of the Century group and a wholly owned subsidiary of Century Joint Developments Private Limited (ACUITE C) which in turn is a wholly owned subsidiary of Century Real Estate Holdings Private Limited. With over 5 decades of leadership experience in the real estate industry, Century group is known for its land bank of over 3,000 acres and is trusted by many homeowners in the city of Bengaluru.

Improving realization and sales volumes leading to healthy cash accruals

SPPL has recorded improvement in sales of unsold units in all the three projects during fiscal 2025. As on November 2024, 60 units out of 304 have been sold in the Golfview project, 297 units out of 346 sold in the Trails project and 43 out of 59 units have been sold in the Wintersun Ph 2 projects. Further, the per sq ft realisation has also improved from Rs 18,304/ Rs 3,383/ Rs 8,361 as on January, 2024 to Rs 24,616/ Rs 4,906/ Rs 8,801 as on November, 2024 for Golfview/Trails/Wintersun Ph 2 properties respectively. This has resulted in a total sales of Rs.784 Cr. of which Rs.250 Cr. has been received till November, 2024 indicating healthy cash accruals which will help SPPL to service its debt obligations. Additionally, the company has also prepaid its redemption premium of Rs.15 Cr. as on November 30, 2024. This continuous uptrend in sale of unsold units and higher realisations shall be a key monitorable.

Weaknesses

Project Execution Risk

SPPL is prone to the project execution risk as against a total project cost amounts to ~Rs.914 Cr. only Rs.120 Cr. (~13%) has been incurred till November, 2024. The balance project cost is expected to be incurred over the next 2-3 yrs. Further, as against the current sales of Rs.784 Cr. nearly 31% of customer advances have been received and balance receipts shall also be incidental to project progress. The company plans to fund its upcoming project cost through the customers receipts and internal accruals. Additionally, the Golfview project has received RERA in May, 2024 and the project completion is expected to complete in the next 3-3.5 years. Moreover, Golfview being the most critical project, timely completion of project shall be crucial for steady inflow of project receipts and for servicing of debt obligations.

Susceptibility to Real Estate Cyclical, 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 servicing of debt obligations
- Timely project completion/execution
- Continued improvement in sale of units and realisation of its customer advances

All Covenants

1. No further debt in any form can be raised by the obligors without investor consent.
2. No sale below the floor price set out in business plan for any project asset without consent of investor. In case of sale below floor price, issuer to bring the differential amount from own sources.
3. Security cover of 2.50x at all times.
4. No transactions with promotor or related parties except as explicitly disclosed or agreed.
5. All cash flows to be routed through escrow account. Monitoring of all construction expenses through an escrow mechanism.
6. Promotors not to divest any stake in the obligors till investor debt is fully repaid.

Liquidity Position

Adequate

SPPL's liquidity is adequate marked by higher realization from sales and timely collection of customer advances from the three projects in order to repay its debt obligations. The current cash balance of all the three projects stand at Rs.86.05 Cr. as on 31st March, 2024. The company has also prepaid its redemption premium of Rs.15 Cr. as on November 30, 2024 and is further expected to prepay Rs.15 Cr. in this fiscal. Further, with better than expected realizations, the DSCR is expected to improve to 2.00-2.30 times over the tenure of debt.

Liquidity is expected to further improve since all the projects are launched with the construction under process and hence, the company will benefit through the same.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	8.33	3.98
PAT	Rs. Cr.	3.44	(1.89)
PAT Margin	(%)	41.30	(47.60)
Total Debt/Tangible Net Worth	Times	17.39	0.77
PBDIT/Interest	Times	31.61	(6.13)

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

Not Applicable.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité 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
12 Jan 2024	Proposed Non Convertible Debentures	Long Term	450.00	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE217T07019	Non-Convertible Debentures (NCD)	22 Mar 2024	12.00	21 Mar 2028	450.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Suruchi Properties Private Limited
2	Century Prime Properties Private Limited
3	Century Northside

Contacts

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