



**Press Release**  
**SONAM SPARK INFRA PRIVATE LIMITED (ERSTWHILE SONAM BUILDERS)**  
**May 30, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	202.00	ACUITE C   Downgraded	-
Bank Loan Ratings	5.00	ACUITE D   Downgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	207.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs.202 Cr. and downgraded the long-term rating '**ACUITE C' (read as ACUITE C)** from '**ACUITE BBB- ' (read as ACUITE Triple B Minus)** on the Rs. 5.00 Cr. bank facilities of SONAM SPARK INFRA PRIVATE LIMITED (ERSTWHILE SONAM BUILDERS).

**Rationale for Rating Downgrade**

The rating downgrade is on account of a delay in repayment of debt obligations as reflected in the CRIF Highmark report and loan account statement of Aditya Birla Finance Limited.

**About the Company**

Sonam Spark Infra Private Limited (Erstwhile Sonam Builders) incorporated in the year 1997 by Mr. Mithalal R Jain and Mr. Bharat M. Jain, the father and son duo. The firm undertakes residential real estate projects in Mira-Bhayandar area. The business was started as a proprietorship concern in 1991. The firm, so far has done 8 real estate projects in Bhayandar area with total construction area of over 45 lakh sq. ft.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone financial and business risk profiles of Sonam Builders to arrive at the rating

**Key Rating Drivers**

**Strengths**

**Experienced management and established track record of operations**

Sonam Builders was incorporated in 1997 by Mr. Mithalal Jain and Mr. Bharat Jain. Mr. Mithalal Jain has more than 2 decades of experience in the real estate business. He initially started the business as a proprietorship in 1991. Mr. Bharat Jain has also successfully executed various projects over a span of 20 years. Sonam Builders so far has done 8 real estate projects in Bhayandar area with total constructed area of more than 45 lakhs sq. ft. Of late, the firm completed its Indraprasth project in 2019. The project is located in Bhayandar area and has ~468 flats spread across the saleable area of over 6.65 lakh sq. ft. The firm has also started its

construction on its project 'Indraneel' located in Bhayandar with around 162 flats spread across 1.35 lakhs sq. ft. and has a upcoming project 'Indraprastha – D wing (Opulence) ' with a saleable area of around 1.45 lakhs sq. ft

## **Weaknesses**

### **Timely Repayments of debt servicing**

The delays have been observed in debt servicing for the bank facilities with Aditya Birla Finance Limited.

### **Project execution risk**

The company has two on-going projects. For the Indraneel project, 15.45% area is sold and Press Release SONAM SPARK INFRA PRIVATE LIMITED (ERSTWHILE SONAM BUILDERS) Rating Downgraded the project is expected to be completed by March 2026. For the Indraprastha (D WingOpulence) project, the construction started in March 2023 and the company is yet to launch its sales. The total cost left to be incurred for the Indraneel project is Rs.147.56 crore and for the Indraprastha (D wing-Opulence) project, the cost left to be incurred is Rs. 185.00 crore. However, SB has completed 8 projects in the same area and is an established brand in the Bhayander area which acts as a mitigating factor against demand risk. The entity has already received in principle sanction for the required debt for Indraprastha project and debt tie-up for Indraneel project has been done thus reducing funding risk.

### **Susceptibility to real estate cyclicity and regulatory risks and high geographical concentration**

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 of business like drop in property prices and interest rate risk, among others, which could affect the operations. Sonam Builders is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The real estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk, which is likely to impact players like Sonam Builders, thereby impacting its operating capabilities. The firm is also exposed to high geographical concentration as its all the projects are concentrated in Bhayandar area in Thane district. Thus, any negative development in this area could hurt the overall operations and project planning of the firm.

## **Rating Sensitivities**

- Timely repayments of loan

## **Liquidity Position**

### **Poor**

Liquidity position of the company is poor as there have been delays observed in the debt servicing.

## **Outlook: Not Applicable**

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	45.30	92.26
PAT	Rs. Cr.	6.24	11.17
PAT Margin	(%)	13.77	12.11
Total Debt/Tangible Net Worth	Times	2.40	1.38
PBDIT/Interest	Times	1.96	2.04

### 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 May 2023	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	102.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	90.00	ACUITE BBB-   Stable (Assigned)
07 Mar 2022	Proposed Long Term Loan	Long Term	22.22	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	58.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	21.78	ACUITE BBB-   Stable (Reaffirmed)
09 Nov 2021	Proposed Long Term Loan	Long Term	22.22	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	21.78	ACUITE BBB-   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
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE C   Downgraded ( from ACUITE BBB- )
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	28 Feb 2023	Not avl. / Not appl.	15 Apr 2038	Simple	5.00	ACUITE D   Downgraded ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Term Loan	02 Jun 2023	Not avl. / Not appl.	30 Sep 2028	Simple	105.00	ACUITE C   Downgraded ( from ACUITE BBB- )
Central Bank of India	Not avl. / Not appl.	Term Loan	21 Apr 2022	Not avl. / Not appl.	31 Mar 2027	Simple	90.00	ACUITE C   Downgraded ( from ACUITE BBB- )

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Dheeraj Salian Associate-Rating Operations Tel: 022-49294065 <a href="mailto:dheeraj.salian@acuite.in">dheeraj.salian@acuite.in</a>	Varsha Bist Associate Vice President-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.