



Press Release
SONAM SPARK INFRA PRIVATE LIMITED (ERSTWHILE SONAM BUILDERS)
September 23, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	207.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	207.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) from '**ACUITE C**' & '**ACUITE D**' (read as **ACUITE C** and **ACUITE D**) to the Rs. 207.00 Cr. bank facilities of Sonam Spark Infra Private Limited (Erstwhile Sonam Builders). The outlook is '**Stable**'.

Rational for rating upgrade

Acuite vide its rationale dated May 30, 2024 had downgraded the rating to ACUITE C and ACUITE D, basis the delays reported in servicing of a term loan obligation in the credit information bureau (CIB) report of the company and loan account statement. As per CIB report dated May 27, 2024 delays were reported in servicing of debt obligations in February, 2024 towards one term loan availed by the company. Consequently, penal charges were also levied as per the loan account statement of the term loan till March 31, 2024.

However, as on date the quoted penal charges in the loan account statement of the term loan has been reversed in June, 2024 and 'delay reporting' in the CIB report has been retrospectively revised. As per CIB report dated August 09, 2024 no delays are reflected in February, 2024 of the quoted term loan of the company. Further, a letter dated August 12, 2024 from the concerned lender confirms that due to operational and technical error the account was reported as overdue whereas in actual there was no overdue. Upon notice the lender made the necessary corrections and instructed CIB accordingly. Acuite takes into cognizance the revised CIB report and reversal of penal charges by the lender.

Further, during this period the operating performance of the company has been stable driven by significant progress in terms of both construction and sales in its ongoing projects. In case

of Indraneel project, the company has sold 58.69% of its total saleable area and has incurred 68.25% of its total cost. It has collected Rs. 80.73 Cr. from its customers as on date. In case of Opulence project, the sales launch of the project is pending, however, the company has already incurred Rs. 95.14 Cr. of the total project cost of Rs. 261.44 Cr. which is funded by promoter funds of Rs. 60.43 Cr, bank debt of Rs. 28.79 Cr. and Rs. 5.92 Cr. of advance from customers.

The rating revision factors in the above project progress and revision of CLB report and reversal of penal charges levied in the loan account statement. Going forward, timely completion of ongoing projects and maintenance of sales velocity of the ongoing projects shall be a key rating monitorable.

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 Spark Infra Private Limited (Erstwhile 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 152 flats spread across 2.44 lakhs sq. ft. and another project 'Opulence' with a saleable area of around 3.41 lakhs sq. ft.

Acuite believe extensive experience of promoters and established track record would help the firm even going ahead.

Comfortable Liquidity Profile driven by high promoter contribution

The company has two on-going projects, Indraneel and Opulence. For the Indraneel project, 58.69% area is sold and the project is expected to be completed by May 2027. The company has incurred total cost of Rs. 144.19 Cr. on the project till July 2024 which is funded by Rs. 80.73 Cr. of customer advances, Rs. 57.75 Cr. of bank debt and Rs. 32.73 Cr. of promoter funds. For the Opulence project, the construction started in March 2023 and the company is yet to launch its sales officially. The total project cost is proposed at Rs. 261.44 crore and the cost incurred on the project till July 2024 is Rs. 95.14 Cr. which is funded through promoter's contribution of Rs. 60.43 crore, bank loan of Rs. 28.79 crore and customer advances of Rs. 5.92 crore.

Acuite thus expects SS IPL's liquidity profile to remain stable on account of expected sales and collection traction in both the ongoing projects.

Weaknesses

Susceptibility to real estate cyclical 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 Spark Infra Private Limited 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 Spark Infra Private Limited, 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

- Inability to sell inventory at estimated price
- Timely Completion of the projects

Liquidity Position Adequate

The liquidity profile of the company is expected to be adequate on account of adequate cushion between repayments and cash inflows. The promoter has also infused funds for the projects. The DSCR is expected to be in the range of 1.94-3.34 times in medium term. In case of Indraneel project, the company has sold 58.69% of its total saleable area and has incurred 68.25% of its total cost. It has collected Rs. 80.73 Cr. i.e. 43.66% from its customers as on date. In case of Opulence project, the sales launch of the project is pending, however, the company has already incurred Rs. 95.14 Cr. of the total project cost of Rs. 261.44 Cr. which is funded by promoter funds of Rs. 60.43 Cr, bank debt of Rs. 28.79 Cr. and Rs. 5.92 Cr. of advance from customers. The total debt tie up for this project is Rs. 105 Cr. and scheduled repayment shall begin from FY2028.

Outlook: Stable

Acuité believes that the Sonam Builders would maintain 'Stable' outlook over a medium term on the back of experienced management, long track record of operations, sales velocity demonstrated in the ongoing projects. The outlook may be revised to 'Positive' in case of higher-than-expected new bookings. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in selling of inventory thereby impacting liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	54.13	45.30
PAT	Rs. Cr.	7.64	6.24
PAT Margin	(%)	14.11	13.77
Total Debt/Tangible Net Worth	Times	0.96	2.40
PBDIT/Interest	Times	83.13	1.96

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 May 2024	Term Loan	Long Term	105.00	ACUITE C (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	90.00	ACUITE C (Downgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	7.00	ACUITE C (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	5.00	ACUITE D (Downgraded from ACUITE BBB- Stable)
08 May 2023	Proposed Long Term Bank Facility	Long Term	102.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	90.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BBB- Stable (Assigned)
07 Mar 2022	Term Loan	Long Term	21.78	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	22.22	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	58.00	ACUITE BBB- Stable (Assigned)
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 BBB- Stable Upgraded (from ACUITE C)
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	28 Feb 2023	Not avl. / Not appl.	15 Apr 2038	Simple	5.00	ACUITE BBB- Stable Upgraded (from ACUITE D)
State Bank of India	Not avl. / Not appl.	Term Loan	02 Jun 2023	Not avl. / Not appl.	30 Sep 2028	Simple	105.00	ACUITE BBB- Stable Upgraded (from ACUITE C)
Central Bank of India	Not avl. / Not appl.	Term Loan	21 Apr 2022	Not avl. / Not appl.	31 Mar 2027	Simple	90.00	ACUITE BBB- Stable Upgraded (from ACUITE C)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dheeraj Salian Associate Analyst-Rating Operations Tel: 022-49294065 dheeraj.salian@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.