



Press Release

Sonam Homes Private Limited

September 02, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	55.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Total	55.00 (Fifty Five Crores Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Sonam Homes Private Limited derives comfort from established track record of the Sonam Group. The rating also factors the favourable project location and presence of escrow mechanism. However, these strengths are partially offset by project execution and funding risk and exposure to risk relating to cyclical in real estate industry.

Key Rating Sensitivities:

Upward Factors

- Timely completion of the project
- Sale of inventory at competitive rates

Downward Factors

- Significant delay in completion of project.
- Significant cost overrun of the project.
- Lower than expected booking status.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of the group

Sonam Homes Private Limited is a part of Sonam Group that has successfully completed and delivered several projects in Bhayandar (E) such as Geeta Nagar and Golden Nest. While SHPL is developing the “Indradhanush” project, Project “Indraprasth” is being developed by Sonam Builders.

Favourable project location

Indradhanush, located in Mira-Bhayander enjoys locational advantage as it is in close proximity to schools, hospitals, malls and railway station.

Repayment through Escrow mechanism

Collections from both the projects are deposited into respective Escrow Account and are applied towards payment of scheduled interest and principal repayments of the term loan facility.

Key Rating Weaknesses

Project execution and Funding Risk

Construction of the project is in initial stage and scheduled for completion by October 2025 (as per RERA). Company’s ability to execute project as per schedule is highly dependent on timely receipt of regulatory approval (under New DCR in Maharashtra) as well as sanction and disbursement of bank finance.

Initially the Indradhanush project had a total saleable area of 259764 sq ft with an estimated cost of Rs.184crore. However, after implementation of New DCR in Maharashtra, the project saleable area has been revised to 451010 sq ft, resulting in an increase in the project cost to Rs.309.32crore. The project is proposed to be funded through Rs.76crore of contribution from the promoters, term loan of Rs.150crore and the rest from customer advances. While Rs.85crore of loan has been sanctioned, the project is being re-assessed by the lender for additional loan of Rs.65.00 crore.



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Exposure to risks relating to cyclicalities in real estate industry

Cyclicalities in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may affect the debt servicing ability of the firm. SHPL will remain susceptible to the inherent cyclicalities in the real estate sector.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has combined the business and financial risk profiles of SonamHomes Private Limited and Sonam Builders moving forward known as Sonam Group, as they are in the same lines of business, under the same management. List of the entities considered for consolidation is furnished in Annexure II.

Extend of consolidation: Full

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

Sonam Homes Private Limited is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. Further, the company is likely to benefit from the resourcefulness of the promoter group. Overall liquidity position is expected to be adequate.

About the Company

Sonam Homes Private Limited (SHPL) was incorporated in the year 2018. It is a part of Sonam Group. At present, SHPL is engaged in the development of one residential cum commercial project namely Indradhanush having saleable area of 451010 sq ft at Mira-Bhayander. The project comprises of 350 residential units and 14 commercial units. It offers amenities such as Sky Gym, Swimming Pool, Jogging Track, Library, Shopping Plaza etc.



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Financials (Consolidated):

(Rs. Crore)

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	74.39	98.59
EBITDA	20.76	24.81
PAT	6.20	6.93
Total Debt	233.04	218.76
Tangible Net worth	95.09	93.98
EBITDA Margin (%)	27.90	25.16
PAT Margin (%)	8.01	6.84
Overall Gearing Ratio (x) on Book TNW	2.45	2.33
Overall Gearing Ratio (x) on Adjusted TNW	0.79	0.61

*Classification as per Infomerics' standards

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	0.00	0.25
EBITDA	-0.03	0.19
PAT	-0.03	0.48
Total Debt	80.14	91.38
Tangible Networth	-0.39	0.09
EBIDTA Margin (%)	-	75.91
PAT Margin (%)	-	88.53
Overall Gearing Ratio (x)on Adjusted TNW	1.90	1.48

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:None

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities- Term Loan	Long Term	55.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	-	-



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Name and Contact Details of the Rating Analyst:

Name: Ms. Aakriti Sachar Name: Mr Om Prakash Jain

Tel: (011) 24601142 Tel: (011) 24601142

Email: aakriti.sachar@infomerics.com Email: opjain@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities- Term Loan	-	-	March, 2024	55.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)

Annexure II: List of entities considered for consolidated analysis



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Group Companies	Extent of Consolidation (%)
Sonam Homes Private Limited	100.00%
Sonam Builders	100.00%

Annexure III: Facility Wise Lender Details:

<https://www.infomerics.com/admin/prfiles/Lender-SHPL-02-09-21.pdf>

Annexure IV : Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure V: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.