



Press Release

Sonam Homes Private Limited

November 30, 2022

Ratings

Facilities	Rated Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	140.00 (Enhanced from Rs. 55.00 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	140.00 (One hundred and forty crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Sonam Homes Private Limited (SHPL) considers the common management team and operational & financial linkages between SHPL and its group entity, Sonam Builders (SB). Infomerics has taken a consolidated view of these entities referred together as Sonam Group. The reaffirmation of 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 in the favourable project location and the presence of an escrow mechanism and DSRA account. However, these strengths are partially offset by project concentration risk, project execution risk, and exposure to risks relating to cyclicity in the real estate industry.

Key Rating Sensitivities:

Upward Factors

- Timely completion of the project within the budgeted cost.
- Sale of inventory at competitive rates.

Downward Factors

- Significant delay in completion of the project.
- Significant cost overruns of the project.



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- Lower than expected booking status.

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 “Indraneel” 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 an escrow mechanism including DSRA**

The revenue of the project will be routed through an escrow account maintained with the bank. The withdrawals from account will be as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses. The firm is required to maintain a DSRA equivalent to three months interest and principal repayments which imparts additional comfort over the repayments of interest/debt. The repayments of the term loan will start from Q3FY25.

Key Rating Weaknesses

- **Project concentration risk**

The Company remains exposed to substantial project concentration risks, given the dependence on the cash-flows from a single project, Indradhanush. However, the Company derives some comfort from the Indraneel project, which is being developed by Sonam Builders,



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as the surplus generated from the project Indraneel of SB shall be utilized for Indradhanush project of SHPL.

- **Exposure to project implementation risk**

The project “Indradhanush” is in its initial construction stage which indicate a high degree of project implementation risk. However, Sonam Group has vast experience in the real estate sector which imparts some comfort. As of September 2022, a cost of INR130.41 crore has been incurred. The total budgeted cost for the project is INR309.70 crore (350 residential units and 14 commercial units), to be funded by promoter’s contribution, nbfc loan, and advance from customers amounting to INR80.27 crore, INR140 crore, and INR89.43 crore respectively. While formal bookings have not opened as yet, advance from customers with respect to 23 residential units amounting to INR8.31 crore has been received as at 31.10.2022.

- **Exposure to risks relating to cyclicity in the real estate industry**

Cyclicity 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 Company. SHPL will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach:

Consolidated

For arriving at the rating, Infomerics has taken a consolidated approach for the purpose of analyzing the business and financial performance of the Company. It has combined the business and financial risk profiles of Sonam Homes Private Limited and its group company, Sonam Builders on account of common management. Further, the surplus generated from the project, Indraneel of Sonam Builders shall be utilized for the Indradhanush project of Sonam Homes Private Limited.

Extent of Consolidation – Full

Applicable Criteria:

[Rating Methodology for Real Estate Entities](#)



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[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

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. In addition, availability of escrow mechanism along with DSRA account will ensure smooth repayments of borrowings. Funds infused by the promoters provide an adequate cushion. Overall liquidity position is expected to be adequate.

About the Company and the Group

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 452610 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.

Sonam Builders (SB) is a partnership firm established in 1991 by Mr. Mithalal R Jain and his son, Mr. Bharat M. Jain. The firm started with construction of single buildings until 1992. At present, Sonam Builders is engaged in the development of a residential cum commercial project, Indraneel, comprising of 130 residential and 31 commercial units. The total saleable residential area is 2,11,152 square feet while the total saleable commercial area is 14,060 square feet. All modern amenities are included in the project.

Financials (Consolidated):

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	95.20	92.00
EBITDA	21.83	22.68
PAT	1.80	11.21



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For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Debt	218.96	228.63
Tangible Net Worth	187.27	219.54
EBITDA Margin (%)	22.93	24.65
PAT Margin (%)	1.84	11.78
Overall Gearing Ratio (x)	0.63	0.40

* Classification as per Infomerics' standards.

Financials (Standalone):

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	0.34	0.10
EBITDA	0.03	0.03
PAT	0.03	0.03
Total Debt	90.97	118.81
Tangible Net Worth	36.08	56.47
EBITDA Margin (%)	9.16	31.94
PAT Margin (%)	9.41	31.49
Overall Gearing Ratio (x)	1.51	1.10

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

S. No.	Facilities	Current Rating (FY 2022-23)			Rating History for last 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (September 02, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	140.00	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facilities (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	Sept 2026	140.00	IVR BBB-/ Stable



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Annexure 2: List of entities considered for consolidated analysis:

Name of the company	Consolidation approach
Sonam Homes Private Limited	Full consolidation
Sonam Builders	Full consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-SonamHomes-nov22.pdf>

Annexure 4: Detailed explanation of the covenants of the rated instrument/facilities: Not Applicable

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.