



Press Release

Sugee Realty & Developers (India) Private Limited

December 21, 2022

Ratings

Instrument/ Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Issuer Rating	Not applicable	IVR BBB (Is)/ Stable (IVR Triple B (Is) with Stable outlook)	Revised from IVR BB+ (Is) [IVR Double B Plus (Is)] and removed from Issuer Not Cooperating category	Not applicable

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics had migrated the Issuer Rating assigned to Sugee Realty & Developers (India) Private Limited (SRIDPL) to the 'ISSUER NOT COOPERATING' category vide Press Release dated October 31, 2022 because of non-receipt of information for monitoring the Issuer Rating. Subsequently, the company has provided the requisite information. Based on this, Infomerics has removed the Issuer Rating from the 'ISSUER NOT COOPERATING' category.

Infomerics has considered the consolidated financial profiles of Sugee Realty & Developers (India) Private Limited along with that of its subsidiary entities and step-down subsidiary entities (names of entities and extent of consolidation has been given in **Annexure 2**), collectively referred to as the Sugee group, for arriving at the ratings.

The revision in the Issuer Rating assigned to SRIDPL factors in the timely completion of the projects by the Sugee group, and adequate cash coverage ratio for the group. The ratings also factor in the experience of the promoters and management of the Sugee group in real estate sector, strategic location of redeveloped properties which increases project attractiveness, medium tenured nature of the ongoing projects mostly funded by customer's advances with relatively low reliance on external debt, timely completion of the projects by the Sugee group with high sales velocity and completion of funding tie-ups for the projects under development. The rating strengths are, however, tempered by the project execution and marketing risk associated with the ongoing projects and exposure to risks relating to cyclicity in real estate sector.



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Key Rating Sensitivities:

Upward Factors

- Scheduled progress of the projects being developed by the Sugee group
- Substantial increase in the sale of units leading to adequate cash flow generation

Downward Factors

- Any cost or time overrun in completing the ongoing projects of the Sugee group
- Weaker-than-anticipated sales performance and lower-than-expected collections/customer advances leading to cash flow mismatches.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experience of the promoters and management of the Sugee group in real estate sector

The Sugee group is promoted by Mr. Nishant Deshmukh and Mr. Subhash Deshmukh. The key director, Mr. Nishant Deshmukh has a significant experience of more than a decade. The group specializes in redevelopment of old residential properties in Mumbai city region. It has executed 17 projects since inception covering an area of 8.48 lakh sq. ft. It is currently in the process of developing 9 projects spread over 19.00 lakh sq. ft. During the period FY20-22 and April 2022 to October 2022 alone, the group has developed 7 projects covering an area of 3.43 lakh sq. ft. The key properties developed by the group in the recent times include Govind Sadan, Ganesh Niwas, Preksha, Sanskruti, Mahalaxmi, Sugee Parimal, Laxmi Niwas etc. The promoters are well supported by an experienced team of professionals who have an extensive experience across various functions. The promoters also have an extensive land bank on outskirts of Mumbai which could be easily monetized.

Strategic location of redeveloped properties which increases project attractiveness

The Sugee group, through its subsidiary entities/ step-down subsidiary entities, is currently executing various projects in the prime locations of Mumbai such as Dadar, Matunga, Worli, Prabhadevi etc. which increases the attractiveness of the projects. Paucity of land, given the typical topography of Mumbai city, prime location of the projects, status of prime financial hub for Mumbai amongst other factors keeps the demand prospects for residential projects in the island city high, as is also reflected in the healthy per square feet realizations of the Sugee group. Over the years, the per square feet realisation has increased for the group from Rs.45,000 per sq. ft. to Rs.60,000 per sq. ft.



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Medium tenured projects mostly funded by customer's advances, relatively low reliance on external debt and adequate cash coverage ratio

The Sugee group is currently executing 9 projects covering an area of 19.00 lakh sq. ft. The projects which are currently underway are mostly medium tenured with an estimated construction period between 36 and 42 months. These are being funded by customer advances followed by promoter's contribution with limited reliance on external debt. Presence of DSRA and escrow mechanism as also the favourable repayment schedule further accentuates the debt servicing ability for the group. As such the cash coverage ratio for the group is adequate to service its debt obligations over the tenure of the ongoing projects.

Timely completion of the projects by the Sugee group with high sales velocity

The Sugee group has delivered 100% of the projects within the timelines approved by bankers, including the years of covid-19. Further, there hasn't been any cost overruns on its projects over the years. Nevertheless, timely completion of the projects without cost overrun and increase in debt levels than that envisaged would be a key monitorable, going forward.

Completion of funding tie-ups for the projects under development

The Sugee group is currently executing 9 projects, over an area of 19.00 lakh sq. ft. The projects have SCOD up to September 2025. The tie-up for debt (estimated at Rs.435.49 crore, and 23.19% of the total project value), has already taken place, with disbursements also happening as per the plan, which reduces funding risk to a large extent.

Key Rating Weaknesses

Project execution and marketing risk associated with the ongoing projects

The Sugee group's projects are under various phases of construction, as also the the sales across these projects are at different stages. Achieving the envisaged realisation for the unsold inventory while maintaining the sales momentum remains crucial going forward. With the progress of construction, the sales momentum is likely to accelerate providing adequate cash flows. The implementation period makes the company susceptible to time and cost overruns, which may affect profitability.

Out of total envisaged project cost of Rs.1877.64 crore, the group has incurred total cost of Rs.684.75 crore as on September 30, 2022, funded by promoters' contribution of Rs.264.38 crore, Term Loan of Rs.222.66 crore and advances from customers of Rs.197.71 crore. The group has sold 182 units out of total 363 units under construction and has collected Rs.281.09



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crore till September 30, 2022. Although the projects are on schedule, project implementation risk remains as the cost incurred on construction on the ongoing projects stood at ~32% as on September 30, 2022. A continuous flow of customer advances is essential for smooth physical progress of the project which will depend on the firm's ability to sell at attractive prices.

Exposure to risks relating to cyclicity in real estate sector

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realization and saleability. This may affect the debt servicing ability of the Sugee group.

Analytical Approach: Consolidated

Infomerics has taken a consolidated approach for the Sugee group of entities basis that SRDIPL is the holding company for following entities and their subsidiaries, namely:

- Sugee Builders Private Limited (SAPL)
- Sugee Developers Private Limited (SDPL)
- Sugee Enterprises Private Limited (SEPL)
- Sugee Estates Private Limited (SSPL)
- Sugee One Developers Private Limited (SODPL)
- Sugee Realtors Private Limited (SRPL)
- The Strokes & Ground, Unipessoal (TSG)
- Saumya Buildcon Private Limited (SBPL)

Further, all the entities in the Sugee group have common promoters and management, largely the Deshmukh family, and have linkages with the parent company. The extent of consolidation is full.

The list of entities consolidated along with the extent of consolidation is given below as in

Annexure 2:

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Criteria on Consolidation of companies](#)

[Rating Methodology for Real Estate Entities](#)

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



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Liquidity: Adequate

The projects under development by Sugee group are funded by a combination of debt, customer advances and promoter funds. The group is projected to have adequate cash coverage ratio to service its debt obligations over the tenure of the ongoing projects. Further, the group is expected to benefit from the availability of the huge land bank it has in and around Mumbai. Overall, the liquidity position of the Sugee group is expected to remain adequate.

About the group

Sugee group is engaged in real estate business since 2006. The group focuses on the redevelopment of housing projects, affordable apartments and second homes in Maharashtra. The group is promoted by Mr. Nishant Deshmukh under the guidance of his father Mr. Subhash Deshmukh. The Sugee group has successfully completed more than 17 projects in Mumbai.

About the company

The Mumbai based SRDIPL was incorporated in the year 2016. It is a closely held company held by the Deshmukh Family members and a part of Sugee Group. SRDIPL is engaged in real estate development business. SRDIPL has been promoted by Mr. Nishant S. Deshmukh and Mr. Subhash V. Deshmukh.

Financials (Sugee group-Consolidated):

	(Rs. crore)	
For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	44.37	231.19
EBITDA	28.02	33.82
PAT	1.06	10.80
Total Debt	671.19	1010.79
Tangible Network (including Quasi Equity)	172.19	235.07
Ratios		
EBITDA Margin (%)	63.15	14.63
PAT Margin (%)	2.31	4.64
Overall Gearing Ratio based on tangible network including quasi equity (x)	3.90	4.30

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

S r. N o.	Name of Instru ment/F acilitie s	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outsta nding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (October 31, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 14, 2021)	Date(s) & Rating(s)) assigne d in 2020-21	Date(s) & Rating(s) assigned in 2019- 20
1.	Issuer Rating	Not applica ble	Not applica ble	IVR BBB (Is)/ Stable	IVR BB+; Issuer Not Cooperating*	IVR BBB- (Is)/ Stable	-	-

**Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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.



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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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Issuer Rating	Not applicable	Not applicable	Not applicable	Not applicable	IVR BBB (Is)/ Stable

Annexure 2: List of companies considered for consolidated analysis:

The list of entities consolidated is given below:

Name of the company	Consolidation Approach
SRDIPL	100%
Sugee Builders Private Limited	100%
Sugee Developers Private Limited	100%
Sugee Enterprises Private Limited	100%
Sugee Estates Private Limited	100%
Sugee One Developers Private Limited	100%
Sugee Realtors Private Limited	100%
The Strokes & Ground, Unipessoal LDA	100%
SBPL	100%
Sugee Realtors One LLP	100%
Sugee Two Developers LLP	100%
Sugee Three Developers LLP	100%
Sugee Four Developers LLP	100%
Sugee Five Developers LLP	100%
Sugee Six Developers LLP	100%
Sugee Seven Developers LLP	100%



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Name of the company	Consolidation Approach
Sugee Eight Developers LLP	100%
Sugee Nine Developers LLP	100%
Sugee Ten Developers LLP	100%
Sugee Eleven Developers LLP	100%
Sugee Twelve Developers LLP	100%
Sugee Fifteen Developers LLP	100%
Sugee Sixteen Developers LLP	100%
Sugee Eighteen Developers LLP	100%
Sugee Nineteen Developers LLP	100%
Sugee Twenty Developers LLP	100%
Sugee Twenty One Developers LLP	100%
Sugee Twenty Three Developers LLP	100%

Annexure 3: Facility wise lender details: Not Applicable

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

Note on complexity levels of the rated instrument: Not applicable