



Press Release

Sugee Realty & Developers (India) Private Limited

August 14, 2021

Ratings

Instrument / Facility	Ratings	Rating Action
Issuer Rating	IVR BBB- (Is)/Stable Outlook (Pronounced as IVR Triple B minus with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating factors in the extensive experience of the promoters in the real estate industry as also the strategic location of the projects in the prime South Mumbai region which increases their attractiveness also defined by the healthy realisations. Further, the projects are mostly funded by customer's advances and promoter's funds with relatively low reliance on external debt for the project. The DSRA as well as the escrow mechanism further enhances the security of the debt repayment obligations. However, the rating remains constrained with the cyclicity associated with the real estate industry. Further, being in various construction stages, ability to sell the remaining space at remunerative realisations as also completion of the project without any time and cost overrun will be the key rating sensitivities.

Key Rating Sensitivities:

Upward Factors

- Timely completion of the projects
- Sale of unsold inventory at competitive rates

Downward Factors

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters in the real estate industry**
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



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city region. The key properties developed by the group include Shraddha Building, Anand Vihar, Vaibhav Chambers, Vaibhav Apartments, Sugee Heights, Sugee Sadan etc. The promoters are well supported by an experienced team of professionals who have an extensive experience across various functions resulting in close control. The promoters also have an extensive land bank on outskirts of Mumbai which could be easily monetized.

- **Strategic location of redeveloped properties increases project attractiveness**

The group through its subsidiary entities is currently executing various projects in the prime location such as Dadar, Matunga, Worli, Prabhadevi suburbs of Mumbai city which increases their attractiveness. Paucity of land given the typical topography of Mumbai city, status of prime financial hub amongst others keeps the demand prospects for residential projects in the island city high also reflected in the healthy per square feet realizations.

- **Medium tenured projects mostly funded by customer's advances, relatively low reliance on external debt, resourceful promoters**

The projects underway are mostly medium tenured with estimated construction period between 36 and 42 months. These are being funded by customer's advances followed by promoter's contribution with limited reliance on external debt. The group is availing debt only for Marina Bay project. Presence of DSRA and escrow mechanism as also the favorable repayment schedule further accentuates the debt obligation servicing. Currently, the projects are being funded primarily through promoter contribution. Timely completion of the projects without cost overrun and increase in debt levels than envisaged would be a key monitorable, going forward.

Key Rating Weaknesses

- **Project Execution and marketing Risk**

The group's projects are under various phases of construction, alternatively the sales across these projects are at different stages. Achieving the envisaged realisations 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. Although, operational ability to sell the units is key to meet the debt obligation on time.

- **Exposure to risks relating to cyclicity in 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 firm.



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Sugee Realty & Developers (India) Private Limited will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has taken a consolidated approach basis that this company is the holding company for following entities mentioned in Annexure 2 and also, have a common management and promoters, largely the Deshmukh family and have linkages with the parent company.

Applicable Criteria:

Rating Methodology for Real Estate entities

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

Sugee Realty & Developers (India) Pvt. Ltd. is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. In addition, availability of escrow mechanism along with DSRA account will ensure the smooth repayments. Further, the company is likely to benefit from the resourcefulness of the group. Nonetheless, as on June 31, 2021 the projects were largely funded by promoter contribution, also favorable repayment structure for the debt availed for a single project (starting in March 2024) also provides some comfort. Overall liquidity position is expected to be adequate.

About the Company

The Mumbai based Sugee Realty & Developers (India) Pvt. Ltd. (SRDIPL) was incorporated in the year 2016. It is 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 the Mr. Nishant S. Deshmukh and Mr. Subhash V. Deshmukh.

Sugee Group is engaged in Real Estate Development business since 2006. Sugee group is an established and focusing on the redevelopment of residential projects in Mumbai. The group focuses on the redevelopment of housing projects, affordable apartments, second homes and serviced NA plots in Maharashtra.



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Financials (Consolidated):

(Rs. Crore)

For the year ended*/As on	31-03-2019	31-03-2020
Total Operating Income	68.12	90.06
EBITDA	7.24	9.50
PAT	5.89	1.73
Total Debt	171.06	166.57
Tangible Net Worth	16.25	21.16
EBITDA Margin (%)	10.62	10.55
PAT Margin (%)	7.93	1.85
Overall Gearing Ratio (x)	34.77	18.15

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Facilities	Current Ratings (Year 2021-22)	Rating History for the past 3 years		
		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.	Issuer Rating	IVR BBB- (Is)/Stable	--	--	--

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.

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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



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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 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	-	-	-	-	IVR BBB-(Is)/Stable

Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
Sugee Eight Developers LLP	Full consolidation
Sugee Seven Developers LLP	Full consolidation
Saumya Buildcon Pvt Ltd	Full consolidation
Sugee Twelve Developers LLP	Full consolidation
Sugee Developers Pvt Ltd	Full consolidation
Sugee Ten Developers LLP	Full consolidation

Annexure 3: Facility wise lender details: Not applicable

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

Annexure 5: Complexity level of the rated Instruments/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.