

July 26, 2024

## SSS Realty & Co: Rating assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	150.00	[ICRA]BB+(Stable); assigned
<b>Total</b>	<b>150.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating for SSS Realty & Co (SSSRC) factors in the favourable location of the entity's ongoing mixed-use (office and retail) commercial project, Koramangala Information Hub, at Koramangala, Bengaluru, which enhances its marketability. This is further supported by the high occupancy levels of more than 95% in Koramangala micromarket and the limited upcoming supply. SSSRC is constructing a commercial project with 0.82 million square feet (msf) of area (0.56 msf on lease model and the remaining 0.26 msf area is on sale) at a total project cost of around Rs. 650 crore. The project is proposed to be funded by debt to equity mix of 1:1. Around 80% of the promoter contribution has been already infused in the project and debt of Rs. 150 crore has been tied-up. The balance debt tie-up is expected to happen in H2 FY2025. The leverage and debt coverage indicators are estimated to be adequate for the project.

The rating is, however, constrained by the project's exposure to execution risk with 75% of the budgeted cost yet to be incurred as of March 2024, against the scheduled date of commencement of commercial operations (DCCO) of March 31, 2026. The entity is exposed to market risk for 0.56 msf area, which is on lease model as there is no pre-leasing tie-up as on date. The project faces refinancing risk for the construction finance (CF) facility, which is to be repaid in FY2027 (December 2026). While there is an adequate timeline for leasing, which is supported by the favourable location of the project, any significant delays in achieving lease tie-ups at adequate rentals may impact the entity's refinancing ability. The project under SSSRC is also exposed to high geographical and asset concentration risks inherent in a single project portfolio.

The Stable outlook reflects ICRA's opinion that the entity will be able to achieve adequate leasing progress before the scheduled project completion benefitting from favourable project location and have adequate debt protection metrics.

### Key rating drivers and their description

#### Credit strengths

**Favourable project location** – The asset is located at Koramangala, Bengaluru. The subject property is located in one of the established micromarkets in the Central Business District of Bengaluru and is well connected through various modes of transport, which enhances its marketability. This is further supported by the high occupancy levels of more than 95% in the Koramangala micromarket and limited upcoming supply. The favourable location of the project and low vacancy levels in the micromarket are likely to translate into adequate leasing for the project.

**Moderate funding risk; estimated adequate debt protection metrics** – SSSRC is constructing a commercial project of 0.82 msf (0.56 msf on lease model and the remaining 0.26 msf area is on sale) at a total project cost of around Rs. 650 crore. The project is proposed to be funded through debt to equity mix of 1:1. Around 80% of the promoter contribution has been already infused in the project and debt of Rs. 150 crore has been tied-up. The balance debt tie-up is expected to happen in H2 FY2025. The leverage and debt coverage indicators are estimated to be adequate for the project.

## Credit challenges

**Exposure to project execution and market risks** – The firm is exposed to execution risk with 75% of the budgeted cost yet to be incurred as of March 2024, against the scheduled DCCO of March 31, 2026. The entity is exposed to market risk for 0.56 msf area, which is on lease model as there is no pre-leasing tie-ups as on date. The project faces refinancing risk for the construction finance (CF) facility, which is to be repaid in FY2027 (December 2026). There is an adequate timeline for leasing, which is supported by the favourable location of the project. However, any significant delays in achieving lease tie-ups at adequate rentals may impact the entity’s refinancing ability.

**Geographical and asset concentration risks** – The project under SSSRC is exposed to high geographical and asset concentration risks inherent in a single project portfolio.

## Liquidity position: Adequate

The entity’s liquidity position is adequate with Rs. 89 crore cash and liquid investments and Rs. 149-crore undrawn bank loan, as on March 31, 2024, which along with the balance equity commitments of Rs. 60-65 crore and expected debt tie-up of Rs. 168 crore in H2 FY2025, will be adequate to fund the pending project cost.

## Rating sensitivities

**Positive factors** – SSSRC’s rating might be upgraded if there is a healthy leasing ramp up at adequate rental rates mitigating the refinancing risk and resulting in an improvement in debt protection metrics on a sustained basis.

**Negative factors** – Downward pressure on the rating could emerge if significant time or cost overruns in construction, or inability to ramp-up leasing at adequate rental rates impact the ability to timely refinance the CF loan.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty – Lease Rental Discounting (LRD)</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

SSS Realty & Co (SSSRC) is a partnership firm incorporated for the development of Koramangala Innovation Hub (KIH) land at Koramangala, Bengaluru. It is expected to be a mixed-use (commercial office and retail) project having a leasable area of around 0.56 msf (excluding around 0.26 msf sold to co-owners) across G+9 floors. It is likely to be completed by March 31, 2026. SSSRC is promoted by the Machani family through Machani Ramesh Metamorphosis LLP, which holds 99.95% in the firm, while 0.05% is held by Stumpp Schuele & Somappa Springs Pvt. Ltd (rated [ICRA]BBB (Stable)/[ICRA]A3+). The Stumpp Schuele and Somappa Group manufactures and sells 4,000 types of metallic springs and stabilisation bars across several applications, with about 90% of its revenues coming from the auto industry.

## Key financial indicators

Not applicable being a project stage entity.

Status of non-cooperation with previous CRA: None

Any other information: None

**Rating history for past three years**

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			Jul 26, 2024	-	-	-	
<b>Term loan</b>	Long term	150.00	[ICRA]BB+ (Stable)	-	-	-	

**Complexity level of the rated instrument**

Instrument	Complexity Indicator
<b>Term loan</b>	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Term loan	December 2023	NA	FY2027	150.00	[ICRA]BB+ (Stable)

Source: SSSRC

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis: Not applicable**

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