

Sumadhura Infracon Private Limited

Instrument	Amount (Rs. Crore ¹)	Rating Action
Long Term - Fund Based- Cash Credit	60.0 (enhanced from 15.0)	[ICRA]BBB- (Stable) assigned/outstanding
Long Term - Fund Based- Term Loan (Inter Corporate Deposit)	80.0	[ICRA]BBB- (Stable) assigned
Long Term - Unallocated	165.0	[ICRA]BBB- (Stable) assigned

ICRA has assigned a long term rating of [ICRA]BBB- (pronounced as ICRA triple B minus)² to the Rs.60 crore (enhanced from Rs.15 crore) cash credit facilities, Rs. 80 crore term loan facility (inter corporate deposit) and Rs.165 proposed long term facility of Sumadhura Infracon Private Limited (SIPL)³. The outlook on the assigned rating is stable.

The assigned rating takes into account the established position of the group with a track record of more than 19 years in the real estate market with strong project execution capabilities as demonstrated through completion of 3.9 million square feet (msf) of development. The rating also positively factors in the presence of in-house execution teams and backward integrated nature of operations which results in better control over cost and quality. In addition, the company's asset light policy of developing projects under Joint Development Agreement (JDA) limits upfront capital commitment in the projects. The rating also factors in the satisfactory sales bookings and collection efficiency with booking position of ~57% across Sumadhura's ongoing residential projects.

The rating is, however, constrained by significant ongoing developments (~0.6x of projects completed till date by the group) and the aggressive growth plans with ~4.2 msf planned launches in the current and next fiscal which exposes the company to execution and market risks. Projects with low booking especially in the high rise segment i.e. Silver Ripples and Essenza, accentuates the market risks. Besides, the rating is further constrained by the large quantum of debt repayments in the medium term (Rs. 61 crore during 9M-FY17 and Rs.32 crore in FY18) which may result in cash flow mismatch in the absence of adequate sales velocity. Also, despite limited investments in land bank, FFO (fund Flow from Operations) continues to remain weak for the company on account of significant buildup of WIP (Work in Progress). Besides, SIPL's concentration towards Bangalore residential market exposes it to the performance of IT/ITES sector and the competitive intensity of the real estate market in the region.

Going forward, the company's ability to maintain healthy sales velocity for the unsold inventory in the current ongoing projects and its upcoming projects, to collect customer advances and to execute the projects in a timely manner would be the key rating sensitivities.

About the company

Sumadhura Infracon Private Limited (SIPL) was formed in the year 2012 and is the flagship entity of Sumadhura Group involved in real estate development. Mr. G Madhushudhan, holds ~58% share in the company while the balance is held by his family members. The company is primarily involved in residential development and is currently executing six projects with a total built-up area of 2.82 msf in the Eastern region (Hosur and Whitefield) of Bangalore. It plans to launch four projects with a total saleable area of 4.2 msf in FY2017 and FY2018.

Sumadhura Group is one of the leading real estate developers in Bangalore and Hyderabad, which commenced its activities in real estate development in the year 1997, under the leadership of Mr. G Madhusudhan, and under the banner of M/s Vijetha Constructions. Under the banner of Vijetha, the firm completed 16 residential projects in Hyderabad. The promoters then floated a private limited company,

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

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Sumadhura Constructions Private Limited in 2001 and another partnership concern, Sumadhura Constructions in 2005 and constructed several residential and commercial projects under brand name of Sumadhura. In 2012, the operations of Vijetha Constructions and Sumadhura Construction were merged to form Sumadhura Infracon Private Limited. Since then, all the projects of the group are being done under this company. Since 1997, the Sumadhura Group has developed around 38 residential projects with a total built-up area (BUA) of 3.8 msft.

Result Results

For the financial year 2015-16 (as per provisional numbers), the firm reported a net profit of Rs.18.6 crore on an operating income of Rs. 77.8 crore, as against a net profit of Rs. 12.9 crore on an operating income of Rs. 196.2 crore in 2014-15.

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