

## Rating Rationale

### Brickwork Ratings assigns ‘Provisional BWR PP-MLD A’ to SGGD Projects Development Private Limited’s proposed PP-MLD issue of ₹ 335 Cr

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for proposed Principal Protected Market Linked NCD issue of ₹ 335 Cr having **tenor up to five years** for SGGD Projects Development Pvt. Ltd. (*‘SGGD Projects’ or ‘the Company’*) (**formerly known as Mehta and Mehta Real Estate Private Limited prior to 18<sup>th</sup> October 2013**).

Instruments with this rating are considered to have **adequate** degree of safety regarding timely servicing of financial obligations. Such instruments carry **low credit risk**.

#### Outstanding Ratings:

Information about the outstanding ratings of the Company is as under:

	Rated Amount (₹ Cr)	Rating	Outlook
<b>Proposed PP-MLD</b>	<b>335</b>	<b>Provisional BWR PP-MLD A</b> (Provisional BWR Principal Protected Market Linked Debentures A)	<b>Stable</b>
Senior Debt	125 <i>(Rs.55 Cr only raised)</i>	BWR A+(SO) [BWR A Plus (Structured Obligation)]	Stable
Junior Debt	125	BWR A(SO) [BWR A (Structured Obligation)]	Stable

The ratings reflect the cover provided by pledge of shares of Religare Enterprises Ltd for each tranche of the issue, escrow mechanism for acquisition of lock-in shares and release of pledged shares for redemption, significant shareholding of public shareholder Mrs.Shabnam Dhillon and SGGD in Religare Enterprises Ltd. The rating is constrained by the limited track record of SGGD Projects Development Pvt Ltd and dependence on liquidation of the pledged shares for principal repayment.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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BWR has essentially relied upon the information shared by SGGD Projects Development Private Ltd. (SGGD) and other documents related to the transaction, publicly available information and information and clarifications provided by the Issuer.

### **Background**

SGGD Projects Development Pvt Ltd was incorporated in 2010, as Mehta and Mehta Real Estate Private Limited, with the principal objective being to provide consulting and advisory services in real estate projects, import and export of machinery, equipment etc. In 2013-14, the company was bought by Mrs. Shabnam Dhillon. She is a part of the Dhillon family, which has interests in the real estate business and has a number of commercial real estate projects that have been implemented in Delhi, Noida, Gurgaon, Pune, Mumbai and Ahmedabad.

Mrs. Shabnam Dhillon currently holds about 10% stake in Religare Enterprises Ltd, a holding company that is in the financial services space and is listed on the BSE and NSE. Mrs. Dhillon's holdings are classified as public shareholding in Religare Enterprises Ltd. SGGD holds about 5% in REL.

The company has been renamed SGGD Projects Development Pvt. Ltd on 18<sup>th</sup> October 2013.

### **Management:**

The Dhillon family owns and runs different commercial real estate project ventures in and around Delhi and Mumbai. Mrs. Shabnam Dhillon's sons, Mr. Gurpreet Singh Dhillon and Mr. Gurkirat Singh Dhillon, are currently the CEO of Religare Health Trust and Operations Manager at Fortis Healthcare International respectively.

### **Structure of Proposed issue:**

The Company plans to raise Rs.335 Cr by way of proposed Principal Protected Fully Redeemable Non-Convertible Listed Debentures with a tenor of up to 5 years. The proposed issue is structured into two tranches – Tranche-I of Rs.150 Cr and Tranche-II of Rs.180 Cr.

Bestest Developers Pvt Ltd, a SPV, which is wholly owned by SGGD, was formed in 2008. SGGD proposes to invest up to Rs.300 Cr in this SPV for subscription to preferential allotment of equity shares by Religare Enterprises Ltd (REL). The SPV is expected to purchase about 90 lakh

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shares of REL at a price of Rs.316.78 per share. These shares would have a one year lock-in period as per the guidelines of SEBI for preferential allotment. Also, out of the funds raised by SGGD, remaining part would be used to redeem the earlier issue of Rs. 55 Cr. The REL shares released post the redemption of Rs.55 Cr senior debt would also be used to provide cover to the proposed issue.

The total security and collateral consists of exclusive pledge of all the REL shares acquired by the SPV under Preferential Allotment, unencumbered and free Shares of REL with an inception Collateral Cover (taking into account only free REL shares) of at least 210% for each tranche.

The Issuer has given an undertaking to fund the Debenture Trustee Bank Account at least 7 days prior to each redemption date, with an amount equal to all amounts due on the debentures on such redemption date.

#### **Religare Enterprises Ltd:**

Religare Enterprises Ltd (REL) is a holding company in the financial services industry. Its' main subsidiaries include the NBFC arm – Religare Finvest Ltd., its broking company – Religare Securities Ltd., its insurance businesses – Religare Health Insurance Company Ltd. and AEGON Religare Life Insurance Company Ltd (a JV with Aegon where Religare's investment is protected by a guarantee provided by the Royal Bank of Scotland), Religare Capital Markets Ltd and Religare Global Asset Management Ltd.

#### **Financial Performance of REL:**

For Q3FY14, the consolidated revenue of the company stood at Rs.893.50 Cr, up by 6% on a q-o-q basis. Religare Finvest Limited continues to dominate the revenue mix with a share of 56% for Q3FY14. The company is also seeing a calibrated growth of SME lending book with major contribution from loan against property. After consecutive losses for three quarters, the company has seen a profit after tax Rs.5.6 Cr for Q3FY14. The losses in earlier quarters were due to prior year tax adjustments.

The total net worth of the company was at Rs.3148.4 Cr and the current ratio at 1.1 as on 31 Dec, 2013.

### Share Price Performance of REL:

The share price performance for REL has been steady over the last six months. Its 52 weeks High and Low are Rs.373.90 and Rs.250.40, with the current market price of Rs.298.05 (as of 5<sup>th</sup> May, 2014).

The beta of the stock stands at 0.83 and the market capitalization is at Rs.4486.7 Cr. The liquidity in the stock is limited due to the relatively high promoter holding. Scenario analysis by Brickwork Ratings indicates that the cover provided for the issue is sufficient to meet the repayment of principal amounts even if the share price is discounted by around 40%.

### Rating Outlook

The ratings assigned to the proposed Principal Protected Fully Redeemable Non-Convertible Listed Debentures issue of SGGD Projects Development Pvt. Ltd. considers the structure in place and documentation provided by the company. The rating may be revised in the case of any changes in the term sheet indicated to Brickwork Ratings, non-compliance by the company or its promoters with respect to the terms of the debenture trust deeds or deterioration of financial or share price performance of Religare Enterprises Ltd.

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**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.