

April 09, 2015

Facility	Amount (Rs. Crore)	Ratings
Term Loan	7.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.7.00 crore bank facility of Patel Associates (PA). The outlook is '**Stable**'. The rating is constrained by the firm's exposure to project execution risk. The rating is also constrained by firm's high dependence on external funding for the ongoing project. The rating notes that the firm is susceptible to cyclical and intense competition inherent in the real estate sector. However, the rating draws comfort from the firm's experienced management.

PA, established in 1998, is a Pune-based real estate development entity. PA is a part of the Mont Vert Group. The firm is currently undertaking construction of a residential cum commercial building (named Mont Vert Vivant) in Wakad, Pune. PA is exposed to project execution risk as a significant portion (~94 per cent) of the construction work is pending. The firm expects to complete the project by March 2019. The total project cost is estimated at Rs.21.23 crore, which is likely to be funded through customer advances of Rs.13.23 crore, bank borrowings of Rs.7.00 crore and promoters' funds of ~Rs.1.00 crore. PA is thus highly dependent on external funding for the project.

PA benefits from its experienced management. The partners of the firm have around two decades of experience in the real estate sector.

Rating sensitivity factors

- Timely completion of project
- Timely receipt of customer advances

Outlook: Stable

SMERA believes PA will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in execution of project or collection of booking money.

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About the project

PA is undertaking construction of a residential cum commercial building named 'Mont Vert Vivant' in Wakad, Pune. The proposed building will have 86 flats and 4 commercial offices. PA has received all the requisite approvals for the project. The construction work started in November, 2014 and is likely to be completed by March, 2019. PA has sold 22 flats as on March 03, 2015. The firm has received ~Rs.0.53 crore as customer advances.

About the firm

PA, established in 1998, is a Pune-based partnership firm promoted by Mrs. Nisha Jayantkumar Kaneria, Mr. Nikhil Vallabhdas Kaneria and Mr. Jayant Vallabhdas Kaneria. PA is a part of the Mont Vert Group.

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Shripad Nande Manager – Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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