

April 16, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	5.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (**read as SMERA single B**) to the Rs.5.00 crore bank facility of Soham Enterprise (SE). The outlook is '**Stable**'. The rating notes that the firm is highly dependent on customer advances for servicing of debt obligations. The rating also notes that the firm is susceptible to the inherent cyclical and competitive pressure in the real estate sector. However, the rating draws comfort from the advanced stage of execution of the firm's ongoing project. The rating is also supported by the firm's experienced management.

SE, established in 2012, is a Surat-based real estate development firm. SE is currently undertaking construction of residential-cum-commercial building complex named 'Sunvalley Residency' in Sarthana Jakatnaka, Surat. The complex comprises five building with a total of 94 apartments and 19 shops. The total cost of the project is Rs.11.37 crore, which is likely to be funded through debt of Rs.5.00 crore, promoters' funds of Rs.2.85 crore, customer advances of Rs.2.06 crore and unsecured loans of Rs.1.46 crore.

SE has registered bookings for 40 apartments and six shops (until February 13, 2015). The firm has received customer advances of ~Rs.3.28 crore as on February 13, 2015. SE faces intense competition from several players in the real estate market of Surat.

SE benefits from its experienced management. The promoters of the firm have completed six residential-cum-commercial projects over the last five years. SE's project is in the advanced stage of execution. The firm has incurred project cost of Rs.10.23 crore (~90 per cent of the total project cost) till date. The project construction is likely to be completed by May 2015.

Rating sensitivity factors

- Timely completion of the project
- Timely receipt of customer advances
- Sale of the remaining residential apartments and commercial units

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Outlook: Stable

SMERA believes SE 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 operations on the back of timely receipt of 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 and collection of booking money.

About the project

SE is undertaking construction of a residential-cum-commercial complex named 'Sunvalley Residency' in Sarthana Jakatnaka, Surat. The complex comprises five buildings with 94 apartments and 19 commercial units. SE has received all the requisite approvals for the project. The construction work started in May 2013 and is likely to be completed by May 2015.

About the firm

SE, established in 2012, is a Surat-based partnership firm promoted by Mr. Chandubhai Findoliya, Mr. Nathalal Nakrani and Mr. Ramnikbhai Vekhariya. SE undertakes real estate development. The firm is currently constructing a residential-cum-commercial complex named 'Sunvalley Residency' in Sarthana Jakatnaka, Surat.

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