

Press Release

T3 Urban Developers Limited

June 02, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs. 10.00 crore bank facilities of T3 Urban Developers Limited. The outlook is '**Stable**'.

T3 Urban Developers Limited (TUDL) was incorporated in 2008 by Mr. V.P Lobo and Mr. Cedric Fernandes. The Mumbai-based company is engaged in the development of residential-cum-commercial project at Mangalore under the name 'T3 Green City' at a cost of Rs. 34.86 crore. The project is expected to have 258 units - 18 commercial and 240 residential on a total saleable area of 166579 sq. ft. The company expects sales proceeds of Rs. 40.00 crore.

Key Rating Drivers

Strengths

- **Experienced promoters**

The promoters, Mr. V.P Lobo and Mr. Cedric Fernandes have collective experience of around three decades in the real estate sector at Mangalore.

Weaknesses

- **High project implementation and funding risk**

The 'T3 Green City' project is expected to be completed by June, 2018. The total project cost of Rs. 34.86 crore is expected to be funded through bank borrowings of Rs. 10.00 crore, customer advances of Rs. 17.82 crore and promoter's contribution of Rs. 7.04 crore. As on May 22, 2017, TUDL incurred cost of Rs. 22.34 crore. Around 36 per cent work is still pending, exposing the company to high project completion risk. Further, the term loan of Rs. 5.00 crore is yet to be sanctioned, which exposes the company to funding risk.

- **Moderate booking levels and customer advances**

TUDL has completed ~64 per cent of construction as on 19 May 2017. The company has received bookings for 140 units (out of total 258 units), which constitutes ~ 54.26 per cent of total bookings. The company has received moderate advances of Rs. 10.29 crore and expects Rs. 6.81 crore on units sold. The advances of Rs. 10.29 crore constitute ~26 per cent of total sales.

- **Inherent cyclicity in the construction sector**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. The risks associated with the real estate industry are cyclicity, interest rate risk among others that can affect operations.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that TUDL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the liquidity position on account of delays in project execution or collection of booking money. .

About the Rated Entity - Key Financials

For FY2015-16, TUDL reported net profit after tax (PAT) of Rs. 0.01 crore on operating income of Rs. 8.18 crore compared to net profit of Rs. 0.02 crore on operating income of Rs. 13.04 crore in previous year. The net worth stood at Rs. 10.03 crore as on March 31, 2016 compared to net worth of Rs. 9.70 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

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