

Press Release

Squaareone Corporation

September 06, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 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. 7.50 crore bank facilities of Squaareone Corporation. The outlook is '**Stable**'.

Established in 2015, Squaareone Corporation (SC), a real estate firm was promoted by Mr. Deepak Amin, Ms. Geetaben Vasant Mali, Mr. Keyur Vasant Mali and Mr Nimit Champaneira. The firm is engaged in the development of Squaareone Commercial, a commercial project at Surat, Gujarat.

Key Rating Drivers**Strengths****• Experienced management**

The promoters, Mr Amin, Ms. Mali, Mr. Vasant Mali and Mr. Champaneira have collective experience of over a decade in the real estate sector.

• Strategic location

The project is being constructed at Althan - Bhimrad, Surat, in close proximity to an industrial estate - Pandesara GIDC and Veera Narmad South Gujarat University.

Weaknesses**• Project implementation risk**

The construction of Squaareone Commercial commenced in May 2016 and around ~53 per cent of the work has been completed till June 2017. The project is expected to be complete by March 2018. The total project cost of Rs.18.70 crore (includes land cost of Rs.4.6 crore and construction cost of Rs.11.75 crore) is expected to be funded through a term loan of Rs.7.50 crore, promoter's contribution of Rs.7.52 crore and the rest through customer advances of Rs.3.68 crore. Any delay in project completion may be detrimental to the debt repayment capacity of the firm.

• Moderate bookings and low customer advances

As on June 2017, 79 units were booked out of a total of 209 (~37 per cent). Customer advances stood at Rs.1.69 crore as against total funding requirement of Rs. 3.68 crore (~46 per cent) and total sales proceeds of Rs.8.42 crore (~37 per cent). Against the backdrop of lower customer advances, booking of unsold units and timely receipt of customer advances will be key rating sensitivities.

• Risk related to real estate 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. Real estate investments worldwide have been driven by one or several themes based on the economic growth. The risks associated with the real estate industry are - cyclical nature of business (drop in property prices), interest rate risk among others.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that SC will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates healthy cash flows from bookings and customer advances. Conversely, the outlook may be revised to 'Negative' in case of delay in project completion or customer advances, thereby creating pressure on liquidity.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the net worth stood at Rs.6.89 crore.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.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
Term loans	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA B / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smerra.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smerra.in
Ankit Gupta Analyst - Rating Operations Tel: 022-67141263 ankit.gupta@smerra.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is

a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smerra.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smerra.in) for the latest information on any instrument rated by SMERA.*