

Press Release

Three S Properties

30 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs.8.00 crore bank facility of Three S Properties (TSP). The outlook is '**Stable**'.

Three S Properties (TSP), established in 2012 is a Pune-based partnership firm engaged in the development of residential projects in and around Pune. The firm was promoted by Mr. Sujay Shah, Mr. Vilas Shinde, Mrs. Shraddha Sujay Shah and others.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters

The partners, Mr. Sujay Shah and Mr. Vilas Shinde have experience of around eight years in the real estate business and have completed three residential projects of average ticket size of Rs. 25.00 crore in Pune.

Weaknesses

Nascent stage of construction

While construction was scheduled to commence from October, 2015, delays in getting approvals from government agencies led to construction starting in October, 2016. The estimated project cost is Rs. 32.72 crore, expected to be funded through share capital of Rs. 3.00 crore, unsecured loan from related parties of Rs. 4.35 crore; bank borrowing of Rs. 8.00 crore and customer advances of Rs. 17.37 crore. The firm incurred cost of Rs. 14.90 crore as on 31st October, 2017 constituting around 46 percent of the envisaged project cost of Rs. 32.72 crore. TSPL incurred land cost of Rs. 2.72 crore and construction cost of Rs. 9.64 crore as on 31 October 2017. The project is expected to be completed by December, 2020.

Low customer advances

The firm has till date received booking for 20 flats out of the total 105 flats. The total sales proceed constitute Rs. 7.29 crore (20 flats) out of which the firm has received only Rs. 0.69 crore. The total customer advances envisaged is Rs. 17.37 crore to complete the project.

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 – cyclical nature of business (drop in property prices), interest rate risk etc can affect the operations of the firm.

Stiff competition from ongoing and new projects in the vicinity

Lohegaon, near Pune is a well-developed locality and is in close proximity to Mumbai. It has several big-ticket projects posing competition to the firm.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm for arriving at the rating.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

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

About the Project - Shaurya Residency

The firm is developing 'Shaurya Residency' a luxury residential project at Lohegaon, Pune with total saleable area of 1.16 lakh sq. ft. to construct 1BHK and 2BHK apartments (157 units). This is under the joint development agreement wherein land owners and builders will receive 52 units and 105 units respectively. The total project cost is Rs. 32.72 crore and the total sale proceeds expected is Rs. 40.45 crore.

About the Rated Entity –Key Financials None

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the 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. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	August, 2019	8.00	SMERA B/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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