

## Press Release

Three S Properties

March 04, 2019



### Rating Upgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from **ACUITE B** (**read as ACUITE B**) to the Rs. 4.64 crore bank facilities of Three S Properties (TSP). The outlook is '**Stable**'.

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 3.36 crore bank facilities of THREE S PROPERTIES (TSP). The outlook is '**Stable**'.

Rating upgrade reflects the improved cash flows and moderate uptick in demand for real estate. Customer advances has increased from Rs.0.69 crore in the previous year to Rs.3.21 crore as on January 2019.

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.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of TSP to arrive at this rating.

#### Key Rating Drivers

##### Strengths

- **Experienced promoters**

The partners, Mr. Sujay Shah and Mr. Vilas Shinde, have experience of around eight years in the development of residential property. The promoters have developed projects under the different entities including SAAJ Corporation and JRS Associates and Swastic Evolution, among others.

- **Improved customer advances**

The firm, till date, has received booking of 26 flats out of their total of 123 flats. TSP has received customer advances to the tune of Rs. 3.21 crore against amount receivable (on sold flats) of Rs. 5.76 crore. The total customer advances envisaged is ~ Rs.39.00 crore for completing the project.

##### Weaknesses

- **Nascent scale of operations**

The construction of the Shaurya Residence was delayed by a year due to delays in approval from the government agencies. The construction activity had commenced on June, 2017 and the plinth level has been completed in all the three buildings. Further, the building A and B are on 7th and 9th floor of construction. As on 31 January, 2019, the firm has incurred total cost of Rs.17.68 crore. This equals to ~44.2 percent of envisaged project cost (Land+ construction+ overheads) of Rs.40.00 crore. TSP has incurred land cost of Rs. 2.72 crore and construction cost of Rs.10.04 crore as on January, 2019.

- **Inherent cyclical 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) and interest rate risk, among others, which could affect the operations of the firm.

### Liquidity position:

Three S Properties has plans to finance the project cost of Rs. 17.68 crore by way of promoters' infusion of Rs.2.91 crore, term loan of Rs.4.60 crore, unsecured loan of Rs.7.01 crore and remaining from customer advances. The project is scheduled to be completed by December, 2020 and quarterly repayment of the term loan installment started from October 2018. Thus, the servicing of debt obligation is dependent on adequate booking levels with sufficient customer advances to generate positive cash flows.

### Outlook: Stable

Acuité believes that TSP 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 Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	-0.05	-0.01	-0.02
EBITDA	Rs. Cr.	1.10	0.59	0.40
PAT	Rs. Cr.	0.00	0.01	0.00
EBITDA Margin	(%)	-2190.64	-5464.61	-1668.39
PAT Margin	(%)	6.31	-55.37	-7.78
ROCE	(%)	8.49	6.77	6.85
Total Debt/Tangible Net Worth	Times	0.69	0.58	0.00
PBDIT/Interest	Times	1.00	1.02	1.03
Total Debt/PBDIT	Times	5.52	6.86	0.07
Gross Current Assets (Days)	Days	-144570	-470009	-138054

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Nov-2017	Term Loan	Long Term	8.00	ACUITE B / Stable (Assigned)

**\*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	31-Jul-2019	4.64	ACUITE B+ / Stable (Upgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.36	ACUITE B+/ Stable (Assigned)

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**About Acuité Ratings & Research:**

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