

Press Release

Three S Properties

March 04, 2019



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	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 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) 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

Acuite 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)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Kunal Khera Analyst - Rating Operations Tel: 02249294042 kunal.khera@acuiterratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.