

Press Release

HETALI ENTERPRISES

February 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.35 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 40.35 crore bank facilities of HETALI ENTERPRISES. The outlook is '**Stable**'.

Hetali Enterprises (HE), a partnership firm was established in 1992 by Mr. Jayesh Pandya and Mr. Mahesh Gupta to develop residential and commercial projects in Mumbai. The firm is led by Mr. Jayesh Pandya, Mrs. Bhavna Pandya and Ms. Hetali Pandya.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced promoters**

The firm is engaged in the development of residential and commercial projects in Mumbai since over two decades. Further, the firm benefits from the extensive experience of its promoter, Mr. Jayesh Pandya who has more than three decades of experience in the Mumbai real estate industry.

- **Favourable project location**

The said project is located at Andheri West, Mumbai in close proximity to the railway station, international airport and the domestic airport. Besides, other amenities such as schools, colleges and banks are closeby. Another of the projects, Blessings is located at Goregoan West, in close proximity to the railway station.

- **Advanced stage of project completion**

The construction activity on, Anuchhaya began in December 2015 and the firm received the Occupation Certificate in December, 2017. The firm sold four units out of 13 in Anuchhaya for Rs. 14.15 crore. Further, the construction activity on the Blessings project started in August 2015 and is expected to be completed by end of February, 2018. The firm has incurred cost of Rs. 46.87 crore as on 30 November, 2017 which constitutes ~77 percent of the envisaged project cost (Construction+ overheads + interest during implementation) of Rs. 60.28 crore. Around 95 percent of the construction work is complete as on date.

Weaknesses

- **Low customer advances**

The firm has sold four units out of 13 in Anuchhaya for Rs.14.15 crore out of which Rs. 13.15 crore has been received till date. However, the firm has sold only two units in Blessings with total sale consideration of Rs. 2.60 crore out of which Rs. 2.40 crore has been received so far. This is against expectation of Rs. 20.00 crore of customer advances for the project.

- **Inherent cyclical nature 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 real estate industry are - cyclical nature of business (drop in property prices), interest rate risk etc. that can affect operations.

- **Stiff competition from ongoing and new projects in the vicinity**

Over the years, Goregaon and Andheri have become two of the sought-after localities of Mumbai due to good connectivity. Besides, with big-ticket projects such as Anmol Fortune (Wadhwa Group), Lodha Fiorenza, Lodha Eternis and Rustomjee Elita in and around the areas, the firm faces intense competition from other builders.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Hetali Enterprises for arriving at the rating.

Outlook: Stable

SMERA believes the firm will maintain its business risk profile over the medium term on the back of its experienced management and established presence in the Mumbai real estate industry. 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 firm's liquidity position on account of delays in project execution or collection of booking money.

About the Project

Hetali Enterprises has undertaken development of 'Anuchhaya' a residential project (redevelopment) at Andheri (West), Mumbai at a cost of Rs.43.42 crore. The project with 30 apartments will have 1, 2, 3 and 4 BHK units. The total carpet area is expected to be 28117 square feet of which 11085 sq. feet will be available for sale and the remaining will be given to the existing members. The total sales proceeds expected is Rs. 49.88 crore.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.72	55.11	0.00
EBITDA	Rs. Cr.	8.25	4.90	2.72
PAT	Rs. Cr.	0.25	0.92	0.36
EBITDA Margin (%)	(%)	144.30	8.89	0.00
PAT Margin (%)	(%)	4.42	1.66	0.00
ROCE (%)	(%)	0.00	10.07	20.91
Total Debt/Tangible Net Worth	Times	0.22	0.20	0.72
PBDIT/Interest	Times	1.05	1.37	1.15
Total Debt/PBDIT	Times	0.00	2.10	3.99
Gross Current Assets (Days)	Days	0	473	0

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

CARE in its press release dated 31 March, 2016 had inter-alia mentioned the following: 'CARE has suspended, with immediate effect, the ratings assigned to the long-term bank facilities of Hetali Enterprises. The ratings have been suspended as the firm has not furnished the information required by CARE for monitoring of the rating.

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
Term loans	Not Applicable	Not Applicable	Not Applicable	23.24	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	16.11	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+

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ABOUT SMERA

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