

Press Release

Torrance Enterprise (TE)

March 08, 2018

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 the long term rating of '**SMERA B' (read as SMERA B)** on the Rs. 7.50 cr. bank facilities of Torrance Enterprise (TE). The outlook is '**Stable**'.

Surat-based established in 2016, Torrance Enterprise is promoted by Mr. Jignesh Amin and Mrs Anupa Amin. The firm is engaged in real estate business of constructing a residential property under the name Torrance.

Key rating drivers

Strengths

Experienced and qualified management

Torrance is a residential project of Torrance Enterprise and is a partnership firm promoted by Mr. Jignesh Amin and Mrs. Anupa Amin. The promoters collectively possess around two decades of experience in the real estate industry.

Moderate dependence on customer advances for construction

The project cost of Rs.27.06 crores is funded by term loan of Rs.7.50 crores, Rs.3.74 crores from customer advances and remaining through own funds. Thus, customer advances account for around 20% of the total project cost. As on June 2017, the promoters have already infused money to the tune of Rs.7.10 crore to fund the construction cost of Rs.11.21 crores incurred till June 2017.

Weaknesses

Inherent cyclicity in construction Sector

The real estate industry 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.

Moderate Debt servicing capability

TE is funding its cost of project through a Term Loan of Rs.7.50 crore, disbursement of the same has been started from August 2017 and going ahead, SMERA believes that the coverage indicators (Debt service ratio) is expected to be in moderate in the medium term.

Analytical approach:

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

Outlook – Stable

SMERA believes that TE will maintain a Stable outlook over the medium term owing to its experienced management and established presence in the real estate industry. 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 the liquidity position on account of delays in project execution or collection of booking money.

About the Project

The firm is developing residential at Surat, Gujarat with total saleable area of 1.08 lakh square feet to construct 38 units which includes 3BHK and 4 BHK flats. The total project cost is Rs. 27.06 crore.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

Any other information:

Not Applicable

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>

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

None

Rating History (Upto last three years)

Not Available

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	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA B/ Stable

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in</p> <p>Vishal Choudhary, Analyst - Rating Operations Tel: +91-22-6714 1159 vishal.choudhary@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

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