# Transcon - Sheth Creators Private Limited (Revised)

April 03, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 834.84 | CARE BB-; Stable; ISSUER NOT COOPERATING* | Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

## Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Transcon-Sheth Creators Private Limited (TSCPL) to monitor the rating(s) vide email communications/letters dated February 05, 2024, February 20, 2024, February 26, 2024, and March 11, 2024, March 13, 2024, March 21, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on TSCPL's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

## Analytical approach: Standalone

## Outlook: Stable

The stable outlook reflects favourable location of the projects in Mumbai micro-market resulting into limited off take risk for the remaining phases once launched.

## Detailed description of the key rating drivers:

At the time of last rating on March 31, 2023, the following were the rating weaknesses and strengths:

## Key weaknesses

**Delay in launch of remaining phases, high dependence on customer advances for funding of balance construction cost and huge debt repayment obligation:** The company is developing total 3.85 million sft space with an estimated project cost of Rs. 5,530crore and debt drawn down against the same is ~Rs. 1372 crore. While ~78% cost has been incurred till December 31, 2022, majority of debt has been availed resulting in significant leveraging of the project and balance construction largely dependent upon receipt of customer advances from unsold inventory and sales proceeds from sold inventory. The sold inventory receivable is ~Rs. 697 crores as on December 31, 2022, and hence a large part of the remaining cost is to be incurred from projected sales. The committed receivables (~ Rs. 697 crore) as on December 31, 2022, provides for only about 32% of balance project cost and total outstanding debt. Management was planning to launch remaining phases of the project in H1FY23 which has not been launched. CARE believes that with large debt repayment obligation in near term and likelihood of cashflow shortfall, in case of timing mismatch in sales realization, company may face liquidity issues.

**Delay in project implementation; Project execution risk persists:** The project commenced its construction in 2013 and the construction was to be completed by 2021. However, due to the slowdown in real estate industry and change in scope from the initial planned 2.52 million sq.ft to 3.8 million sq.ft, the project got delayed. The project is being developed under the Slum Rehabilitation Authority (SRA) scheme. The entire project is divided into 8 towers (including 3 wings for 6th tower) and one retail space (shops). As on December 31, 2022, work on two towers (Tower 1 2 and 3) has completed and other two towers (Tower Bliss, and Galleria) are under advanced finishing stage which is almost 100% sold. However, work on remaining three towers (Tower 4, 6C and retail) have not commenced or is in initial stage of construction. Hence construction and financing of the same in a timely manner remains to be seen. Thus, there persists significant execution risk as major portion of the project is yet constructed.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

**Cyclical nature of real estate industry subject to regulations and competition from other players:** Real estate sector demand is linked to the overall economic prospect of the country. Change in the economic outlook affects the expected cash inflows to a household, thereby also influencing their buying decision. Besides, as leverage forms an important part of funding for the buyer, availability of loan and interest rates also affects the demand of real estate properties. On the other hand, land, labour, cement and metal prices being some of major cost centres for the sector, availability of these factors plays important role in pricing and supply of new units. Hence, cyclicality associated with economic outlook, interest rates, metal prices, etc., also renders the real estate sector towards cyclicality. Moreover, the companies in the sector are also exposed to regulatory changes, especially in the countries such as India with evolving regulations. Also there exists competition from upcoming and completed projects of other well-known developers in the region.

## Key strengths

**Experience of promoters in real estate development:** TSCPL has been promoted by Transcon Group and Sheth Creators Group, which have 80% and 20% stake respectively in the company. Both Sheth Creators group (promoted by Mr. Jitendra N Seth and Mr. Vallabh N. Sheth) and Transcon group have vast experience in real estate development. Both the groups together have developed over 20 million sq. ft. of residential, commercial and retail space across Mumbai & Thane.

**Favourable location of projects within Mumbai micro-market:** The property is located at off link Road of Malad West in Western Suburbs. The area is well-connected to the Western Express Highway, Link Road and SV Road. It has close proximity to the domestic and international airports, apart from the good rail connectivity. All the well-known shopping centres like D-Mart, Croma, Hyper City, Infinity mall and Inorbit mall are located close to the project.

**Improvement in sales momentum and collections from already launched projects:** During the period Jan 22 to December 22, the company has sold 245. The company had launched commercial sales in tower 6A and 6B in FY22 and company has already achieved ~80% and 60% of the sales till December 31, 2022.

**Presence of escrow mechanism:** The company had availed debt from Piramal Capital and Housing Finance, State Bank of India and Axis Finance. The sanctioned terms stipulate escrow of sales receipt wherein all cash flows from the project will be deposited and usage will be monitored. Further, the debt availed from Axis and Piramal stipulate maintenance of Debt Service Reserve Account (DSRA) for one month debt servicing. The company has cleared all dues with Axis Finance and ratings for same has been withdrawn.

## **Liquidity**: Stretched

The liquidity position of the company is stretched with high upcoming debt repayment obligation, significant cost to be incurred on balance project and committed receivables covering only ~32% of the balance construction cost and outstanding debt. In terms of project cost, around 21.5% of total project cost of Rs. 5530 crore is yet to be incurred and with higher debt repayments, the company needs to achieve higher sales than expected to maintain adequate liquidity.

## Applicable criteria

Definition of Default
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Liquidity Analysis of Non-financial sector entities
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector

## About the company and industry

## Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Consumer Discretionary | Realty | Realty | Residential, Commercial Projects |

TSCPL was originally incorporated as Transcon Properties Pvt. Ltd. in June 1986. Subsequently, in February 2013, the company changed its name to Transcon - Sheth Creators Pvt. Ltd. with the introduction of Sheth Constructions Group as a partner in JV. TSCPL is promoted by the Transcon Group and Sheth Creators Group with the shareholding of 80:20 TSCPL is, currently, developing two residential projects (namely Auris Serenity and Auris Bliss), four rehabilitation buildings, one commercial building and one transit tenement building under the Slum Rehabilitation Authority (SRA) scheme. The total saleable area of the project is 3.85 million sq. ft. with 2, 3 & 4BHK configurations.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 9MFY24 (UA) |
|---|---|---|---|
| Total operating income | 437.41 | NA | NA |
| PBILDT | 114.92 | NA | NA |
| PAT | -30.11 | NA | NA |
| Overall gearing (times) | 124.42 | NA | NA |
| Interest coverage (times) | 1.05 | NA | NA |

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | | - | - | 2028 | 834.84 | CARE BB-; Stable; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

### Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Fund-based - LT-Term Loan | LT | 834.84 | CARE BB-; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable (31-Mar-23)<br><br>2)CARE BB+; Stable (07-Apr-22) | 1)CARE BB+; Stable (08-Nov-21)<br><br>2)CARE BB; Stable (07-Apr-21) | 1)CARE BBB-; Negative (22-Dec-20)<br><br>2)CARE BBB-; Stable (10-Apr-20) |
| 2 | Fund-based - LT-Bank Overdraft | LT | - | - | - | 1)Withdrawn (07-Apr-22) | 1)CARE BB+; Stable (08-Nov-21)<br><br>2)CARE BB; Stable (07-Apr-21) | 1)CARE BBB-; Negative (22-Dec-20)<br><br>2)CARE BBB-; Stable (10-Apr-20) |

*Issuer did not cooperate; based on best available information.
LT: Long term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable

### Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Term Loan | Simple |

### Annexure-5: Lender details

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| To view the lender wise details of bank facilities please click here |

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

| Media Contact | Analytical Contacts |
|---|---|
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 91 22 6754 3404<br>E-mail: saikat.roy@careedge.in | Sudarshan Shreenivas<br>Director<br>**CARE Ratings Limited**<br>Phone: 912267543566<br>E-mail: sudarshan.shreenivas@careedge.in<br><br>Arunava Paul<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: 912267543667<br>E-mail: arunava.paul@careedge.in<br><br>Ragini Surve<br>Analyst<br>**CARE Ratings Limited**<br>E-mail: Ragini.Surve@careedge.in |

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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