



Rating Rationale

Total Environment Construction Private Limited

31 Dec 2019

Brickwork Ratings revised ratings for the Non-Convertible Debentures Issue of ₹ 135.00 Crores of Total Environment Construction Private Limited ('TECPL' or the Company).

Particulars:

Instruments**	Amount (Rs.Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Sep 2018)	Present
NCD	135.00	135.00	Long Term	BWR BB (Outlook: Stable)	BWR BB- (Outlook: Stable) (Downgrade)
Total	135.00	135.00	Rupees One Hundred and Thirty Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of NCD is provided in Annexure-1

Rating Action/Outlook

The rating is constrained by nascent stage of the project, significant exposure to project implementation, execution and marketing risks, high reliance on customer advances to meet the funding requirements of the large scale project, vulnerability to the inherent cyclicity of the real estate sector and competition from nearby projects by reputed developers. These rating is strengthened by the experience of the management, established market position and operational track record of the Bengaluru based Total Environment Group in the real estate sector.

BWR believes Total Environment Construction Private Limited's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the project is completed ahead of time and within the estimated costs, high sales in the projects and an increase in the operational cash flows thereby strengthening its credit profile. Conversely, the outlook may be revised to 'Negative' in case of significant delays in project execution, slowdown in sales of the units or increase in debt, which affects the cash flow and thereby weakening the financial risk profile.



Description of Key Rating Drivers

Credit Strengths:

Promoters experience and reputation of Total Environment Group:

The company is a wholly owned subsidiary of Total Environment Building System Pvt Ltd (TEBS) which is a flagship company of the Group. The entire group is managed by Mr. Kamal Sagar and Ms. Shibanee Sagar who have more than two decades of experience and have delivered a number of projects through the various SPVs in the Group. The entire group has unique reputation in Bengaluru for delivering premium environmentally friendly residential/commercial spaces.

Favorable location of the project:

Both the projects of the company proposed to be undertaken are located in good locations in terms of connectivity and accessibility and in close proximity to major office establishments giving it an edge over its competitors.

Credit Concerns:

Demand and Market risk: Demand in the premium category of residential segment is likely to remain suppressed for under-development projects due to the increasing preference for completed properties under the GST regime. The company has sold ~30% of the total units and selling price of residential space is presently estimated at ~Rs. 7700/sq ft. The expectations of revival in the residential real estate segment and strong interest from institutional investors for the commercial real estate sector provides some comfort for the potential saleability of the project.

Risks associated with the sector:

The company is exposed to the cyclicity inherent in the real estate sector. Advances from customers are estimated to fund more than 90% of the project cost and the ability of the Company to mobilize such funds timely would be critical. Further, the real estate industry as a whole is experiencing a slow down with decline in new launches and expected price rationalization. However, the Group is an established player in Bangalore Real Estate segment with a proven track record of handling large residential commercial real estate projects.

Analytical approach

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Sensitivities

Going forward, the ability of the company to ensure timely execution of the ongoing project and improve sales and collections leading to an increase in the cash flows and thereby strengthening its credit profile would remain the key rating sensitivities.



Positive: Timely completion of the project without cost overrun sustained increase in sales velocity, collections and profitability. Reduction in debt levels and gearing over medium term.

Negative: Lower than expected cash flow from operations due to subdued sales and collections, significant delays in completion of ongoing projects with cost overrun and weakening in the liquidity position.

About the Company

TECPL is a private limited Company incorporated in 1985, with its registered office at Bengaluru. TECPL is a subsidiary of Total Environment Building System Pvt Ltd. TECPL is engaged in Real Estate development. The company is undertaking two projects viz. 'A few honest words' (AFHW) and 'In That Quiet Earth' (ITQE) which are located in Bengaluru. Mr. Veeresh Hiremath and Mr. Gaurav Kamath are the directors of the Company and M/s Shibanee and Kamal Architects is the architect firm for the projects.

Projects:

AFHW is an ongoing residential project which is being developed on land of size approx 10,000 sq ft comprising 8 Duplex apartments and 2 single level penthouse units with a total project cost of ₹22 Crs. ITQE is a residential projects undertaken by TECPL located in Hennur, Bengaluru at a total project cost of ₹1,761 Crs. The company has revised the ITQE project plan from 286 villas and 13 residential towers to 55 villas and 7 Blocks.

Company Financial Performance

TECPL reported total operating income of Rs. 1.02 Crs (Income from Sale of Properties and Revenue from Property Management Services) and Net loss of Rs 12.35 Crs in FY19 as against total operating income of Rs.3.50 Crs and Net loss of Rs. 8.51Crs in FY 18. Tangible net worth was (Rs..29.49) Crores as on March 31, 2019.

Rating History for the last three years

S.No	Instrument	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	27-Sep-2019	26-Sep-2018	18-Aug-2017
1	Fund Based	Long Term	135.00	BWR BB- (Outlook: Stable) Downgrade	Rating Not Reviewed	BWR BB (Outlook: Stable)	BWR BB (Outlook: Stable)
	Total		135.00	Rupees One Hundred and Thirty Five Crores Only			

Complexity levels of the instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Key Financial Indicators

Key Parameters	Units	31-Mar-2018	31-Mar-2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	3.50	1.02
EBITDA	₹ Cr	(3.39)	(2.46)
PAT	₹ Cr	(8.51)	(12.35)
Tangible Net worth	₹ Cr	(17.14)	(29.49)
Total Debt/Tangible Net worth	Times	-ve	-ve
Current Ratio	Times	1.14	1.11

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure](#)

Analytical Contacts	Investor and Media Relations
<p>Kiran P N Senior Analyst B :+91 80 4040 9940 Ext :326 kiran.pn@brickworkratings.com</p> <p>Vipula Sharma Director - Ratings B: +91 80 4040 9940 vipula.s@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



Total Environment Construction Private Limited

ANNEXURE I

INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Previous Amount (₹ Crores)	Present Amount (₹ Crores)	Coupon	Maturity Date	ISIN Particulars
NCD	06-Oct-2017	135.00	135.00	8%	05-Oct-2023	INE257Y07015
Total		135.00	135.00	Rupees One Hundred and Thirty Five Crores Only		

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.