



SMERA RATINGS LIMITED

Sashwat Construwel Private Limited (SCPL)

Rating Rationale

November 05, 2014

Facilities	Amount (Rs. Crore)	Ratings
Proposed Cash Credit	25.00	SMERA B/Stable (Assigned)
Proposed Bank Guarantee	25.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.50.00 crore bank facilities of Sashwat Construwel Private Limited (SCPL). The outlook is '**Stable**'. The ratings are constrained by the company's exposure to project execution risk. The ratings are also constrained by the company's high dependence on customer advances amidst intense competition in the real estate sector. The abovementioned weaknesses are partially offset by the company's experienced management.

SCPL, incorporated in 1997, is a Mumbai-based real estate development company. SCPL is currently undertaking development of a residential complex (named Bhoomi Celestia) in Malad, Mumbai. The proposed complex comprises three 30-storey towers with a total of 540 apartments. The project is under joint development agreement with ASPEE, which has provided land and has 51 per cent share in the total saleable area of ~9 lakh sq. ft. The total construction cost is ~Rs.480.00 crore (excluding cost of land). The construction activity commenced in January 2014 and is likely to be completed by December 2018. SCPL's project is in the nascent stage of construction. The company has incurred construction cost of Rs.66.46 crore (~14 of total the construction cost) till September 2014. SMERA believes delays in project execution may result in significant cost overruns. SCPL expects to fund ~75 per cent of the construction cost through customer advances. The company faces intense competition from several players in the real estate sector.

SCPL benefits from its experienced management. The promoters of the company have around two decades of experience in the real estate sector.

Outlook: Stable

SMERA believes SCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company executes the ongoing project according to the scheduled timeline while generating healthy cash flows from customer advances. The outlook may be revised to 'Negative' in case of delays in project execution and receipt of customer advances, or in case of deterioration in the company's financial risk profile or liquidity position.

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About the project

Bhoomi Celestia is an upcoming residential complex in Malad, Mumbai. The proposed complex comprises three 30-storey towers with a total of 540 apartments. The project is under a joint development agreement between ASPEE and SCPL. ASPEE and has 51 per cent share in the total saleable area. The total project area is ~12.50 lakh sq. ft and the total saleable area is ~9.00 lakh sq. ft. The project is expected to be completed by December 2018. The total cost of the project (excluding cost of land) is ~Rs.480.00 crore.

About the company

SCPL, incorporated in 1997, is a Mumbai-based real estate development company promoted by members of the Mehta and Doshi families.

For FY2013-14 (as per provisional financial statements), SCPL registered profit after tax (PAT) of Rs.0.91 crore on operating income of Rs.1.59 crore, as compared with PAT of Rs.1.51 crore on operating income of Rs.5.44 crore in the previous financial year. SCPL's net worth stood at Rs.10.71 crore (provisional) as on March 31st 2014, as compared with Rs.9.76 crore a year earlier.

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