



SMERA RATINGS LIMITED

Santur Builders Private Limited (SBPL)

*Rating
Rationale*

February 25, 2015

Facility	Amount (Rs. Crore)	Rating
Bank Guarantee	12.88	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facility of Santur Builders Private Limited (SBPL). The rating is constrained by the company's exposure to project execution risk. The rating is also constrained by the company's high dependence on customer advances for project funding. The rating notes that the company is exposed to intense competition from several players in the real estate sector. However, the rating is supported by the company's experienced management.

SBPL, incorporated in 2004, is a Delhi-based real estate development company. SBPL's project is at its nascent stage. The company is yet to receive layout approval and environment clearance certificate for the ongoing project. SBPL is likely to commence construction work in October 2015 (subject to timely receipt of approvals from government authorities). The company is highly dependent on customer advances for funding of the ongoing project. SBPL is obliged to pay external development charges (EDC) and infrastructure development charges (IDC) of Rs.44.05 crore (in semi-annual installments of Rs.4.41 crore over five years starting from February 15, 2015) to Department of Town and Country Planning (DTCP), Haryana. The company has furnished a bank guarantee of Rs.12.88 crore (for a tenor of five years and three months) to Department of Town and Country Planning, Haryana. SMERA believes delays in commencement of construction or inadequacy of customer advances will adversely affect the company's ability to make timely payments to Department of Town and Country Planning, Haryana.

SBPL benefits from its experienced management. The directors of the company have over two decades of experience in the real estate sector. SBPL's group entities have successfully completed several residential and commercial projects.

Rating sensitivity factors

- Timely receipt of approvals
- Timely commencement of construction work
- Mobilisation of customer advances
- Cost and time overruns

About the project

SBPL has planned a residential project in Sohna, Gurgaon. The company is currently undertaking land development work. The total project cost is ~Rs.260.78 crore, which is likely to be funded through promoters' funds of Rs.20.00 crore, term loan of Rs.50.00 crore and customer advances of Rs.190.78 crore.

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About the company

SBPL, incorporated in 2004, is a Delhi-based company promoted by Mr. Sanjay Jain, Mr. Sharad Jain, Mr. Pankaj Jain and Mr. Manish Jain. SBPL undertakes real estate development.

SBPL's net worth stood at Rs.7.94 crore as on March 31, 2014, as compared with Rs.4.92 crore a year earlier.

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