



SMERA RATINGS LIMITED

CitiLights Estates Private Limited (CEPL)

*Rating
Rationale*March 13, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan (proposed)	15.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-'** (read as **SMERA double B minus**) to the Rs.15.00 crore proposed bank facility of CitiLights Estates Private Limited (CEPL). The outlook is '**Stable**'. The rating draws comfort from the healthy bookings registered by the company in its major ongoing project. The rating also draws comfort from the company's minimal dependence on external funding. The rating is supported by the favourable location of the company's project. However, the rating is constrained by the company's small-scale operations and weak financial risk profile. The rating factors in risks related to multiple projects undertaken simultaneously by the company. The rating is also constrained by the company's exposure to intense competition in the real estate sector.

CEPL, incorporated in 2002, is a Bengaluru-based company engaged in real estate development. CEPL is currently undertaking development of residential plots under its major project (named 'Seasons'). The project comprises residential plots with total area (under Phase I) of ~20 lakh sq. ft. CEPL has registered healthy bookings for Seasons Phase I. The company has sold area of ~15 lakh sq. ft. as on December 31, 2014. CEPL has incurred project cost of Rs.23.00 crore as on December 31, 2014, against total cost of Rs.36.00 crore for Seasons Phase I (Stage 1). Further expenditure on Phase I (Stage 1) of the project is estimated at ~Rs.15 crore, which is likely to be funded through a bank loan. CEPL benefits from the healthy demand for residential plots in Bengaluru, which is a major IT hub in India. The company has mutual fund investments of Rs.4.29 crore as on December 31, 2014.

CEPL has small-scale operations with only one major project in hand. The company's net worth is moderate at Rs.18.70 crore as on March 31, 2014. CEPL faces intense competition from several players in the real estate sector. The company's ability to successfully complete the ongoing projects in a timely manner is a key rating sensitivity.

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Outlook: Stable

SMERA believes CEPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company generates steady cash flows from timely receipt of customer advances. The outlook may be revised to 'Negative' in case the company faces liquidity pressures on account of delays in execution of project or collection of booking money.

About the company

CEPL, incorporated in 2002, is a Bengaluru-based real estate development company. CEPL undertakes development of residential and commercial projects in Bengaluru and Chennai.

For FY2013-14, CEPL reported profit after tax (PAT) of Rs.0.16 crore on net operating income of Rs.7.84 crore, as compared with PAT of Rs.3.12 crore on net operating income of Rs.20.97 crore in the previous financial year. The company's net worth stood at Rs.18.70 crore as on March 31, 2014, as compared with Rs.20.98 crore a year earlier.

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