

Press Release

Citi Centre Developers

June 15, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 20.00 crore bank facilities of Citi Centre Developers. The outlook is '**Stable**'.

Citi Centre Developers (CCD), a Punjab-based real estate firm is engaged in the construction of residential-cum-commercial complexes in Punjab.

Key Rating Drivers

Strengths

- **Experienced management**

CCD, established in 2013, was promoted by Mr. Tejpal Gupta, Mr. Vijay Kr. Jindal and Mr. Deepak Aggarwal who possess experience of over a decade in the real estate sector.

- **Healthy bookings and advances**

CCD is engaged in the construction of its maiden project - Chandigarh Citi Center at Zirakpur, a residential cum commercial project with total saleable area of 9.70 lakh sq. feet at Punjab. The total cost is around Rs.320.00 crore. The project has been mainly funded by advances received from customers and a term loan of Rs. 20.00 crore. The project comprising 1683 units including 1299 shops and 384 residential apartments is at an advanced stage of construction. Around 78 percent of construction activity has been completed. The firm has received approximately 54 per cent of the expected revenue through customer advances. About 64 percent of the total saleable area has been booked as on 31st March, 2017. The project is expected to be completed by June, 2018. SMERA expects the firm to maintain healthy debt service coverage ratio over the medium term on account of substantial collection of advances from buyers and healthy level of bookings.

Weaknesses

- **Modest scale of operations**

The rating is constrained by the modest scale of operations marked by operating income of Rs.80.30 crore (Provisional) in FY2017 as compared to Rs. 65.24 crore in FY2016. CCD primarily undertakes medium to large real estate projects of upto Rs. 320.00 crore. The firm's ability to scale up operations while maintaining prudent profitability structure shall be a key credit monitorable.

- **Inherent cyclical in the real estate sector**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. The risks associated with the real estate industry are - cyclical nature of business (drop in property prices), interest rate risk that can affect operations.

- **Intense competition**

The firm's credit risk profile is constrained by the intense competition in the real estate industry along with exposure to project specific risks.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in liquidity on account of delays in project execution or collection of booking money.

About the Rated Entity - Key Financials

SMERA believes that CCD will benefit substantially from its partners' long standing relationships with financial institutions, suppliers and EPC contractors. The firm reported net profit of Rs. 4.28 crore on operating income of Rs.80.30 crore (Provisional) in FY2016-17 as compared with net profit of Rs.4.21 crore on operating income of Rs. 65.24 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Mrinal Mahip Executive Analyst - Rating Operations Tel: 011-49731304 mrinal.mahip@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smerra.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smerra.in) for the latest information on any instrument rated by SMERA.*