

Press Release

Starwing Developers Private Limited

13 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 65.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 65.00 crore bank facilities of Starwing Developers Private Limited (SDPL). The outlook is '**Stable**'.

SDPL (erstwhile Elect Finance & Investment Company Private Limited) is a Mumbai-based company incorporated in 1994 by Mr. Rajeev Dube. The company is engaged in real estate development in Mumbai and has completed around 14 residential and commercial projects till date mainly in Andheri, Vakola and Santacruz. Currently, SDPL has undertaken development of "Kaatyayni Heights", a residential project under the Slum Rehabilitation Scheme in Andheri.

About the Project

The company is presently developing a residential project "Kaatyayni Heights" under the Slum Rehabilitation Scheme in Andheri. The project includes a rehab building alongwith Tower 1 and Tower 2 for sale. The phase 1 of the project includes construction of Rehab Building and Tower 1. The total project cost of Rs. 145.85 crore is expected to be funded through bank loan of Rs. 65.00 crore, customer advances of Rs. 35.49 crore and the remaining through promoters fund.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced promoter

SDPL has been developing residential and commercial projects across Mumbai's western suburbs for more than a decade. The company is promoted by Mr. Rajeev Dube, civil engineer who possesses more than three decades of experience in the Mumbai real estate market. The company undertook real estate projects through Special Purpose Vehicles (SPV) till 2008 and subsequently the projects were undertaken only in SDPL and not through SPVs. The company has completed and sold around 14 projects (residential and commercial) till date mainly in Andheri, Vakola and Santacruz area.

Moderate funding risk

Out of the total project cost of Rs. 145.85 crore, promoters infused Rs. 18.59 crore against their portion of Rs. 45.36 crore. Also, the company was sanctioned term loan of Rs. 65.00 crore, of which Rs. 10.00 crore has been disbursed as on 27th October, 2017 and out of the required customer advances of Rs. 35.49 crore, the company has already received Rs. 3.67 crore as on 27 October, 2017.

Weaknesses:

Nascent stage of project execution

The construction activity commenced in October, 2017 for the Rehab building and only 15 percent of the excavation activity has been completed. The construction activity of Tower I is expected to commence

from January, 2018. The estimated completion date for the project is July, 2022. SDPL has incurred around Rs. 18.59 crore as on 15th October, 2017 which includes land cost of Rs. 5.64 crore; advance rent paid to tenants of Rs. 7.57 crore apart from legal and other expenses of Rs. 5.38 crore. The incurred cost has been funded through equity of Rs.7.59 crore and unsecured loan of Rs. 11.00 crore. The project is at a nascent stage and needs to stick to its implementation schedule in order to avoid time and cost overrun.

Moderate customer advances as against total sales proceeds expected

The company has received booking for around 33 units out of the total 173 units available for sale in Kaatyayni Heights Tower I. The total sales proceeds for the booked units stood at Rs. 32.67 crore and the company has received around Rs. 3.67 crore as customer advances which is around 11 percent of the total sales proceeds. Further, the customer advances are low compared to the total requirement of Rs. 35.49 crore.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Starwing Developers Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that the company will maintain a Stable outlook over the medium term owing to its experienced management and established presence in the Mumbai real estate industry. The outlook may be revised to 'Positive' if the company generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in its liquidity position on account of delays in project execution or collection of booking money.

About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.90	9.55	6.41
EBITDA	Rs. Cr.	5.89	5.21	5.01
PAT	Rs. Cr.	0.62	0.51	0.37
EBITDA Margin	(%)	24.65	54.50	78.15
PAT Margin	(%)	2.58	5.35	5.74
ROCE	(%)	8.06	7.18	6.45
Total Debt/Tangible Net Worth	Times	6.65	6.17	6.73
PBDIT/Interest	Times	1.41	1.49	1.61
Total Debt/PBDIT	Times	9.99	9.76	10.39
Gross Current Assets (Days)	Days	1179	2324	3353

Applicable Criteria

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

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	65.00	SMERA BB-/Stable

Note on complexity levels of the rated instrument:

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

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