# Press Release

**Starwing Developers Private Limited**

March 14, 2019

**Rating Downgraded and Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 95.00 Cr. |
| **Long Term Rating** | ACUITE B+ / Outlook: Stable<br>(Downgraded from ACUITE BB-/Stable) |

** Refer Annexure for details*

**Rating Rationale**

Acuité has downgraded the long term rating to **'ACUITE B+' (read as ACUITE B plus)** from **'ACUITE BB-' (read as ACUITE double B minus)** to the Rs.65.00 crore bank facilities of STARWING DEVELOPERS PRIVATE LIMITED (SDPL). Further, Acuité has assigned a long term rating of **'ACUITE B+' (read as ACUITE B plus)** to the Rs.30.00 crore bank facilities of Starwing Developers Private Limited (SDPL). The outlook is 'Stable'.

The rating downgrade is in view of slow realization resulting in lower than expected cash collections, inventory buildup, sluggish growth rate in the real estate sector. The company incurred total cost of ~Rs.53 constituting ~26 per cent as on 31 December 2018 of total cost of project. The company received customer advances of Rs.10.57 crore as on December 2018 which is ~15 per cent of total expected customer advances from the project. The repayment of project loan is expected to start from April 2019, the company's ability to generate adequate cash flows will remain a key rating sensitivity factor.

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 along with Tower 1 and Tower 2 for sale. The phase 1 of the project includes construction of Rehab Building and Tower 1 and phase 2 includes construction of Tower 2. The total project cost of Rs. 206.73 crore is expected to be funded through bank loan of Rs. 90.00 crore (~44 per cent), customer advances of Rs. 69.23 crore (~33 per cent) and the remaining through promoters fund (~27 per cent).

The promoters have infused ~Rs. 24.00 crore against their portion of Rs. 48.47 crore, ~50 per cent till 31 December, 2018. Also, the company was sanctioned term loan of Rs. 65.00 crore, of which Rs. 23.07 crore has been disbursed till 31st December, 2018. Of total required customer advances of Rs.69.23 crore, the company has received Rs. 10.57 crore (~15 per cent) till 31st December, 2018.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of SDPL to arrive at the rating.

## Key Rating Drivers

### 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.

### Weaknesses

- **Project execution and implementation risk**

The construction activity commenced in October, 2017 for the Rehab building and ~36 percent of the construction has been completed. The construction activity of Tower I commenced from January, 2018. The company is in the process of completing its plinth stage and has incurred a cost of ~15 per cent. Construction of Tower II will commence from April, 2019. The estimated completion date for the project is July, 2022. The total cost incurred has been funded through promoter's fund of Rs. 20.09 crore (~37 per cent of total incurred cost till date), bank borrowings of Rs.23.04 crore and Rs.10.57 crore of customer advances.

The company has attracted low customer advances of Rs.10.97 crore constituting 15 per cent of the total expected customer advances. The repayment of term loans is expected to start from April, 2019. The company's ability to attract robust bookings from existing projects resulting in significant flow of advances from customers against its monthly debt obligations will form key rating sensitivities.

- **Sluggish growth in the real estate sector**

Outlook for real estate demand in mature markets including Mumbai remains subdued on account of inventory overhang because of sluggish demand from end users. The large NBFC's who have been the major lenders to real estate developers, have their own liquidity challenges on account of Asset Liability Management, which has added to the troubles for real estate developers. The pressure on sales will reflect in either continued slowdown in construction of the projects or alternatively, it may result in increased debt levels over the medium term.

### Liquidity Position:

SDPL's liquidity position remains under pressure in the backdrop of repayment of high cost debt obligations further accentuated by sluggish sales growth in real estate segment and challenges faced in unwinding of non-core assets. The company is looking to raise further debt to begin phase 2. Since this fresh loan will be of a longer tenor, this refinancing is expected to partly alleviate its liquidity pressures and align its debt maturity profile with its cash flows from operations.

### Outlook: Stable

Acuité believes the company will maintain its business risk profile in the medium term on the back of experienced management. The outlook may be revised to 'Positive' if the company generates steady cash flows as per anticipated customer advances from the bookings. Conversely, the outlook may be revised to 'Negative' in case there is any delay in executing the project or the collections from the bookings gets delayed, thereby creating pressure on liquidity.

### About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 11.50 | 23.67 | 9.55 |
| EBITDA | Rs. Cr. | 5.88 | 5.96 | 5.21 |
| PAT | Rs. Cr. | 0.66 | 0.59 | 0.51 |
| EBITDA Margin | (%) | 51.12 | 25.18 | 54.50 |
| PAT Margin | (%) | 5.73 | 2.50 | 5.35 |
| ROCE | (%) | 9.00 | 7.83 | 7.18 |
| Total Debt/Tangible Net Worth | Times | 6.79 | 6.99 | 6.17 |
| PBDIT/Interest | Times | 1.29 | 1.40 | 1.49 |
| Total Debt/PBDIT | Times | 8.89 | 10.45 | 9.65 |
| Gross Current Assets (Days) | Days | 2,836 | 1,192 | 2,324 |

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

None

### Any other information

None

**Applicable Criteria**

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

**Note on complexity levels of the rated instrument**
https://www.acuite.in/criteria-complexity-levels.htm

## Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|
| 13-Feb-2018 | Term Loan | Long Term | 65.00 | ACUITE BB- / Stable (Assigned) |

## *Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 65.00 | ACUITE B+/ Stable (Downgraded) |
| Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 30.00 | ACUITE B+/ Stable (Assigned) |

## Contacts


| Analytical | Rating Desk |
|---|---|
| Aditya Gupta<br>Head - Corporate and Infrastructure Sector Ratings<br>Tel: 022-49294041<br>aditya.gupta@acuite.in<br><br>Jyotsna Nebhnani<br>Analyst - Rating Operations<br>Tel: 022 49294074<br>jyotsna.nebhnani@acuiteratings.in | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br>rating.desk@acuite.in |


**About Acuité Ratings & Research:**
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.