

December 03, 2012 - Mumbai

Facilities/Instruments	Amount	Rating
Secured Non Convertible Debenture (NCD) Issue	Rs. 60 Crore	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' to Skylark Mansions Private Limited's (SMPL) Rs.60 crore NCD issue. The outlook is '**Stable**'. The rating factors in SMPL's limited size of operations and concentrated presence in Bengaluru. The rating is also constrained by the company's debt-funded project pipeline. These weaknesses are partially offset by SMPL's experienced management profile and established track record of around two decades in the real estate space. The company has also witnessed quick closure of its projects and above average booking.

SMPL, a small sized Bengaluru based real estate developer, has executed 16 real estate projects aggregating to 3.2 lakh sq. ft. The company is now developing much larger mid-segment residential apartments (total built up area of 34.7 lakh sq. ft. as compared with the earlier/existing projects having a built up area ranging from 0.1 lakh to 5 lakh sq. ft). SMPL has high dependence on customer advances (accounting for more than 65 per cent of the project cost) and the company's debt-equity mix is expected to remain high over the medium term.

The company has registered rapid growth only in the last two years which is attributable to the healthy project sales of Arcadia Phase I, Skylark Zenith and Skylark Esta. Considering that the company's future projects are of a considerably larger in size than experienced and all projects are concentrated in Bengaluru, SMERA believes, SMPL is exposed to significant project completion and market risk. The rating also factors in the inherent risk of cyclicity in the real estate sector.

SMPL has an established track record of two decades in the real estate space. Mr. Saleem Sheriff (MD, SMPL) has long standing experience in the construction and real estate business. The company has also recently put in place a dedicated team of experienced personnel for project execution, operations and sales. The rating factors in the healthy booking of past projects which continues to be the trend in current projects also; Arcadia Phase I (95 per cent complete) is 88 per cent sold, and Skylark Zenith (95 per cent complete) is 96 per cent sold.

Outlook - Stable

SMERA believes SMPL's outlook will remain stable over the medium term driven by growth in revenues and timely execution of projects. The outlook may be revised to 'Positive' if SMPL is able to successfully execute the large project pipeline and maintain a healthy cash flow generation metrics. The outlook may be revised to 'Negative' in case of delays in the project execution, sustained increase in working capital, lower sales realization or higher than expected debt funding.

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About Skylark

SMPL set up in 1992 is a Bengaluru based real estate developer and a member of CREDAI (Confederation of Real Estate Developer's Association of India). Till date SMPL has executed 16 real estate projects in Bengaluru, (13 residential and three commercial). Currently, the company has five ongoing projects (four residential and one commercial). The management intends to scale-up the operations by launching three new projects in FY 2013-14 (Skylark Arcadia Phase III and IV, and Skylark Carmel).

SMPL reported a profit after tax (PAT) of Rs.7 crore on net sales of Rs.40 crore for the financial year ended March 31, 2012, as against a profit after tax of Rs.2 crore on net sales of Rs.25 crore in the corresponding period of the previous year. The net worth as on March 31, 2012 stood at Rs.21 crore. For the six months ended till September 30, 2012, SMPL reported a profit after tax of Rs.2 crore on net sales of Rs.43 crore.

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