

January 06, 2014

Facilities/Instruments	Amount (Rs. crore)	Rating
Secured Non-Convertible Debenture (NCD) Issue	60.00	SMERA BB-/Stable (Rating reaffirmed)

SMERA has reaffirmed rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs.60.00 crore NCD issue of Skylark Mansions Private Limited (SMPL). The outlook is '**Stable**'. The rating is constrained by the company's limited size of operations and concentrated presence in Bengaluru. The rating is also constrained by the company's debt-funded project pipeline. However, the rating is supported by the company's experienced management and established track record of around two decades in the real estate space. The rating is also supported by the quick closure and above-average bookings registered in the company's projects.

SMPL, established in 1992, a small-sized real estate developer based in Bengaluru. SMPL has executed 16 real estate projects with an aggregating built-up area of 3.2 lakh sq. ft. The company is now developing larger mid-segment residential apartments (with total built up area of 34.7 lakh sq. ft., as compared with earlier projects with built up area ranging from 0.1 lakh to 5 lakh sq. ft). SMPL is highly dependent on customer advances, which account for ~65 per cent of the project cost. The company's leverage is expected to remain high over the medium term.

SMPL registered rapid growth in the last two years on account of the healthy saleability observed in Arcadia Phase I, Skylark Zenith and Skylark Esta. SMERA believes SMPL is exposed to significant project completion and market risk as the company's ongoing projects are considerably larger in size and concentrated in Bengaluru. The rating also factors in SMPL's exposure to cyclicalities inherent in the real estate sector.

SMPL benefits from its experienced management. Mr. Saleem Sheriff, Managing Director of SMPL, has around 20 years of experience in the construction and real estate business. The company recently set up a team of experienced personnel for project execution, operations and sales. SMPL achieved healthy bookings in its past projects and the trend continues in the company's current projects — Arcadia Phase I (95 per cent complete) is 91 per cent sold and Skylark Zenith Residential (95 per cent complete) is 98 per cent sold.

Outlook: Stable

SMERA believes SMPL's outlook will remain stable over the medium term on the back of the company's healthy growth in revenues and timely execution of projects. The outlook may be revised to 'Positive' in case the company successfully executes its large project pipeline while registering healthy cash flows. The outlook may be revised to 'Negative' in case of delays in project

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execution, sustained increase in working capital requirements, lower sales realization or higher-than-expected debt funding.

About the company

SMPL, established in 1992, is a Bengaluru-based real estate developer. SMPL is a member of CREDAI (Confederation of Real Estate Developer's Association of India). The company has executed 16 real estate projects (including 13 residential and 3 commercial projects) in Bengaluru till date. Currently, SMPL has five ongoing projects (four residential and one commercial). The management intends to scale-up operations by launching three new projects in FY2013-14 (Skylark Arcadia Phase III and IV, and Skylark Carmel).

For FY2012-13, SMPL reported profit after tax of Rs.2.91 crore on net sales of Rs.70.06 crore, as compared with profit after tax of Rs.7.05 crore on net sales of Rs.39.92 crore for FY2011-12. The company's net worth stood at Rs.24.28 crore as on March 31, 2013.

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