

May 29, 2014

Instrument	Amount (Rs. Crore)	Rating
Secured Non-Convertible Debentures (NCD)	98.00	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.98.00 crore secured non-convertible debentures of Marvel Omega Builders Private Limited (MOBPL). The outlook is '**Stable**'. The rating remains constrained by the company's exposure to project execution risk amidst slowdown in the real estate industry. The rating is also constrained by the company's exposure to saleability risk amidst intense competition in the residential real estate sector. The rating factors in the risks related to the company's weak financial profile. The abovementioned weaknesses are partially offset by the company's experienced management. The rating is also supported by the healthy bookings (for apartments) observed in Phase I of the company's project.

MOBPL, incorporated in 2010, is a special purpose vehicle of Marvel Promoters and Developers Private Limited (MPDPL). MOBPL is engaged in developing a residential complex (named 'Marvel Selva Ridge') in Pune. The company has completed ~70 per cent construction of Phase I of the project, wherein construction of four mid-rise buildings (with total of 56 apartments) and four villas (out of 16 villas planned under Phase I) is almost complete and the finishing work will be completed by June 2014. The company plans to undertake construction of the remaining 12 villas in a phased manner and the cost of construction will be mainly funded through customer advances. MOBPL is revising plans for construction of Phase II of the project. The total saleable area of the project is 1,143,207 sq. ft. and the total number of proposed units under the project is 369. Although MOBPL has sold 45 apartments and 3 villas in Phase I of the project, saleability of the remaining units is likely to be affected by the intense competition in the residential real estate segment. The company is also exposed to inherent cyclicalities in the real estate sector. MOBPL's weak financial risk profile is marked by low net worth of Rs.1.05 crore and high total debt of Rs.87.19 crore as on March 31, 2013. Although MOBPL has started redeeming debentures, the company's debt-equity ratio is very high at 83 times as on December 31, 2013. MOBPL booked revenues of Rs.62.44 crore during April 2013 to December 2013. The company had work-in-progress (WIP) of Rs.89.66 crore as on December 31, 2013. MOBPL reported net loss of Rs.6.54 crore for the period April 2013 to December 2013.

MOBPL benefits from the established presence of the Marvel Group in the Pune real estate market. The rating factors in parent support from Marvel Promoters and Developers Private Limited. The rating is also supported by healthy bookings (for apartments) observed in Phase I of the company's project.

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Outlook: Stable

SMERA believes MOBPL will maintain a stable business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers strong cash flows and healthy profit margins on a sustained basis. The outlook may be revised to 'Negative' in case the company avails further debt funding, or in case of delays in project completion. The outlook may also be adversely affected in case the company reports lower-than-expected sales and net cash flows.

About the project

Marvel Selva Ridge is a luxury residential complex comprising villas and apartments in Bavdhan Kurd, Pune. The total plot area of the project is 95,000 sq. meters and the total saleable area is 11.43 lakh sq. ft. Phase I of the project comprises 16 villas and 4 mid-rise buildings (with total of 56 apartments). The company has revised construction plan for Phase II of the project and the revised information is not available with SMERA. The project is likely to be completed by December 2016.

About the company

MOBPL is a special purpose vehicle of Marvel Promoters & Developers (Pune) Private Limited. MOBPL is engaged in developing a residential complex (named 'Marvel Selva Ridge') in Pune. The overall operations of the company are managed by Mr. Vishwajeet S. Jhavar (CEO of the Marvel Group).

MOBPL reported net loss of Rs.6.54 crore on operating income of Rs.62.71 crore during April 2013 to December 2013. The company's net worth stood at Rs.1.05 crore as on December 31, 2013, as compared with negative net worth of Rs.5.49 crore as on March 31, 2013. MOBPL's work-in-progress stood at Rs.89.66 crore as on December 31, 2013.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head – Sales, Corporate Ratings Tel : +91-22-67141193 Cell : +91-9819136541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91-9833651336 Email: umesh.nihalani@smera.in	Tel: +91-22-67141170 Email: ratingdesk@smera.in

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