

July 28, 2014

Proposed Instrument	Amount (Rs. Crore)	Rating
Secured Redeemable Non-Convertible Debentures	150.00	SMERA C (Assigned)

SMERA has assigned a rating of '**SMERA C** (read as SMERA C)' to the Rs.150.00 crore secured, redeemable, non-convertible debenture issue of Marvel Zeta Developers Private Limited (MZDPL). The rating is constrained by the company's exposure to significant project execution risk amidst intense competition in the luxury real estate segment. The rating is also constrained by the company's exposure to slowdown in the real estate industry. The rating factors in risks related to the company's weak financial risk profile. The rating also factors in past instances of delays in repayment of the company's optionally convertible debentures (OCDs). The aforementioned weaknesses are partially offset by the company's experienced management.

MZDPL, incorporated in 2010, is part of the Pune-based Marvel Group, which is engaged in premium real estate development. MZDPL is currently developing two projects viz. 'Marvel Izara' (a residential project in Undri, Pune, with total saleable area of 1.55 million square feet) and 'Marvel Estrella' (a residential-cum-commercial project in Lohegaon, Viman Nagar, Pune, with total saleable area of 0.71 million square feet) under joint development agreements with landowners of the projects, thereby reducing the upfront cost on land investment. The company has secured all pre-construction approvals for Marvel Izara; however, environmental clearance for Marvel Estrella is awaited. MZDPL is exposed to significant project execution risk arising from delays in receipt of approvals for commencement of construction. SMERA believes MZDPL's financial profile is susceptible to cost overruns arising from delays in project execution. MZDPL faces intense competition in Pune's luxury real estate segment. The company is also exposed to the current slowdown in the real estate industry. MZDPL's weak financial profile is marked by negative net worth of Rs.0.63 crore (provisional) as on March 31, 2014. The company's major sources of funds (as on March 31, 2014) include OCDs of Rs.27.73 crore and interest-bearing unsecured loans of Rs.38.17 crore from related parties. MZDPL has not repaid its OCD obligations regularly during the period under study.

MZDPL is poised to benefit from its experienced management. The Marvel Group is well-established in Pune's real estate space. The promoters of the company have around 10 years of experience in the real estate industry.

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About the company

MZDPL is a special purpose vehicle of Marvel Landmarks Private Limited, which is a part of the Pune-based Marvel Group. MZDPL is currently engaged in developing two luxury residential projects in Pune. The construction activity of both the projects is yet to commence. The overall operations of the company are managed by Mr. Vishwajeet S. Jhavar (CEO of the Marvel Group).

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