



## Press Release

### Stalwart Projects Private Limited

November 03, 2023

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facility	300.00 (includes proposed limit of Rs.273.00 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Total	<b>300.00</b> (INR three hundred crore only)			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of Stalwart Projects Private Limited derives comfort from its satisfactory execution track record of the group with established partner group and favourable location of the projects. Further, the ratings also consider favourable saleability, maintenance of Escrow Account. These rating strengths are partially offset by exposure to funding risk and significant reliance on timely receipt of the customer advances leading to high leverage. Further, the rating also notes the risk related to geographical concentration risk, project implementation risk and exposure to risks relating to cyclicalities in real estate industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial improvement in the sales and collections in the ongoing projects
- Sale of unsold inventory at competitive rates

##### Downward Factors

- Deterioration in debt protection metrics and overall gearing
- Slowdown in saleability of the unsold units resulting in collections lower than expected



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Satisfactory execution track record of the group with established partner group**

The promoters have a satisfactory record of executing residential and commercial real estate projects since for more than a decade. The group has completed 14 projects with a total saleable area of 8.43 lakh sq.ft. till date and 5 projects in pipeline which are expected to be completed by financial year 2027.

##### **Favourable location of the projects**

The projects of the SPPL is covering the areas like Patia, Bhomikhal, Jagamara, Chandrasekharapur etc. All required amenities are available are within the vicinity of the projects. It has good connectivity to the airport, educational institutes, food centre, park and temples, banks and markets. The railway station is located within 6-7 kms and the airport is nearly 4 to 12 kms. Healthcare facilities within approachable distance.

##### **Favourable saleability**

SPPL is also developing five projects with an aggregate saleable area of 11.52 lakh sq. ft under under one roof. All such projects have been launched in and around Odisha/Bhubaneswar. The aggregate cost and revenue of such projects is Rs.592.59 crore and Rs.859.22 crore respectively. Till August 31, 2023 such projects had already sold 59.64 lakh sq.ft (64%) area. In unit terms sold 584 units out of the total 793 saleable units has been sold which is almost ~74% of the total saleable units As on August 31, 2023. Also, the total booking value is 66% of the total sales consideration for the entire project. Further, the promoter have contributed 56% of the total share as on August 31, 2023.

##### **Maintenance of escrow account**

The revenue of the project will be routed through an escrow account maintained with the bank. The withdrawals from account will be as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses. The repayments of the term loan is expected to be made in FY24 for the availed loan and the proposed loan Stalwart Skycity shall be repaid within a period of three years ending in FY28.



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### **Key Rating Weaknesses**

#### **Exposure to funding risk**

The total estimated cost of the ongoing projects stood at Rs. 592.59 crore which is expected to be met by way of Promoter's contribution through promoter's capital of Rs.181.89 including unsecured loans of Rs.22.5 crore. Expenditure of Rs.247.00 crore is expected to be met through term loan and the balance Rs.163.70 is expected to be met through customer advance. SPPL has incurred Rs.195.31 crore funded through Term Loan Rs.23.00 crore term loan and the rest through promoter's contribution and customer advances. Infomerics expects the project completion to remain vulnerable to funding risk.

#### **Significant reliance on timely receipt of the customer advances leading to high leverage**

The total estimated cost of the ongoing projects to be funded by equity (31%), debts (~42%) and the remaining (~28%) by customer advances. Till August 31, 2023 the amount of loan disbursed is Rs.23.00 crore and advance received is Rs.70.71 crore which is 47% of the total customer advance required for funding the project. The project execution is dependent on timely receipt of the customer advances.

#### **Geographical Concentration risk**

Since all of the company's projects are being executed in the state of Odisha, it is exposed to geographical concentration risk. Fortunes of the projects therefore will depend on the overall market sentiment in the region.

#### **Project Implementation Risk**

Stalwart Sky one of the biggest ongoing project is 10% complete construction wise also Stalwart Pride and Stalwart Shree are each 30% completed construction wise. Hence the ongoing projects reflect high degree of project implementation risk. However, the promoter of SPPL has quite a good experience in real estate sector which imparts some comfort.

#### **Exposure to risks relating to cyclicity in real estate industry**

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of the company. SPPL will remain susceptible to the inherent cyclicity in the real estate sector.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Real Estate Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook.](#)

### **Liquidity–Adequate**

The company is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings. In addition, availability of escrow mechanism along with DSRA/ISRA account will ensure the smooth repayments. Overall liquidity position is expected to be adequate.

### **About the Company**

Stalwart Projects Private Limited is a prominent real estate developer in Bhubaneswar, Odisha, established in 2011. It is promoted by Mr. Sarat Kumar Sahu. Stalwart Projects has delivered more than 14 projects in Odisha itself. Stalwarts has got regulators approval to build the tallest tower in the city. The approved project named “Stalwart Sky City” comprises of 410 residential and 56 commercial units. There are 5 projects presently running in the company expected to be delivered by the end of 2026 having total construction area of 11.52 lakh sq ft.

### **Financials (Standalone):**

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	<b>Audited</b>	<b>Provisional</b>
Total Income	32.64	70.96
EBIDTA	2.95	7.62
PAT	1.44	4.49
Total Debt	4.23	21.43
Tangible Net Worth	4.46	8.88
Adjusted Tangible Net Worth	6.08	12.60
EBDITA Margin (%)	9.04	10.74
PAT Margin (%)	4.41	6.33



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Overall Gearing Ratio (x)	1.31	2.83
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*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	27.00	IVR BBB-/ Stable	-	-	-
2.	Proposed Term Loan	Long Term	273.00	IVR BBB-/ Stable	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	January 2028	12.00	IVR BBB-/ Stable
Term Loan	-	-	March 2025	15.00	IVR BBB-/ Stable
Proposed Term Loan	-	-	-	273.00	IVR BBB-/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Stalwart-nov23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**





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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

