Press Release

Starwing Developers Private Limited ("SDPL")

March 22, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	57.30	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Proposed Long Term Bank Facility	17.70	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	**75.00**	**(Rupees Seventy - Five Crore Only)**		

Details of Facilities are in Annexure 1

Detailed Rationale-

IVR has taken a combined approach for arriving at the ratings. IVR has combined the cashflows of two projects i.e. Stellar Heights and I-Stay being executed in SDPL and Starwing Real Estate company (SREC) respectively, both the entities are part of Starwing group. The cashflows from both the above-mentioned projects will be utilised to service the existing loans of SDPL and SREC.

SDPL serves as the flagship entity of Starwing Group through which all requisite loans are procured, and these loans are then categorized as either Project Loans or General Corporate Loans, are subsequently channelled to various Special Purpose Vehicles (SPVs), Subsidiaries, and Associate Concerns to facilitate project completion.

SREC operates as an SPV specifically established for the Slum Rehabilitation Authority (SRA) project, focusing on the development of Project "I-Stay". SDPL holds 99% share through I-Stay Real Estate Private Limited in the partnership firm SREC.

The ratings assigned to the bank facilities of SDPL derive strength from experienced promoters and favourable location of the project. The rating is however constrained on account of modest project execution and saleability risk, geographically concentrated revenues, and cyclical nature of the real estate industry, subject to regulations.

Key Rating Sensitivities:

Upward Factors

- Scheduled progress made in completion of the projects.
- Sale of project inventory at competitive price generating adequate cash flow.

Downward Factors

- Delay in completion of projects.
- Significant Cost overrun of the projects
- Weaker than anticipated sales performance and lower than expected collections / customer advances leading to cash flow mismatch.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Favourable location of the project with amenities and connectivity**

The ongoing project, “Stellar Heights” is located in Andheri, Marol area in Mumbai which provides direct connectivity to all the major points of the city. The project enjoys proximity to essential amenities and physical and social infrastructure like highways, domestic and international airports, Railways, metro lines, schools & Colleges, shopping malls, hospitals, restaurants etc. The demand for residential properties remains high, driven by Mumbai's status as a financial and commercial hub.

- **Experienced promoters and sustained execution capabilities**
  SDPL is a part of Mumbai based Starwing Group promoted in 1989 by Mr. Rajeev Dube, a civil engineer having more than 30 years of experience in promoting, developing, and managing businesses in construction, property, and real estate development. The Starwing Group has successfully completed and delivered 22 projects till date with a total saleable area of more than 12 lakh Sq. ft. in prime area of Andheri, Vakola, and Santacruz area of Mumbai.

- **Healthy cashflow expected from the project**
  The company has already received Rs. 10.22 crore out of total agreement value of Rs. 29.34 crore from sold area of 10,647 Sq. ft. (~49% of total available sale area). The receivable from the sold area is Rs. 19.12 crore and healthy cashflow of ~Rs. 36.00 crore is expected in coming years on account of sale of remaining inventory due to favourable location.

Key Rating Weaknesses

- **Project Execution Risk**
  The construction of Stellar Heights project is in nascent stage and only 17% of physical construction is completed as of December 2023, the scheduled project completion date as per RERA is by June 2026. Total envisaged cost of the project is Rs. 54.67 crore of which Rs. 7.00 crore (~13%) will be financed from own funds, Rs. 25.00 (~46%) from bank debt and rest Rs. 22.67 crore (~42%) from customer advances, thus the company is majorly dependent on advances from customers for funding the project. So, if the company is unable to receive timely advances as envisaged from the customer, then cash flow will be impacted, which might lead to delay in project execution which is key monitorable.

- **Geographical concentration of revenues and competitive pressures**
  All the past projects executed by the company are located in Mumbai region and the ongoing project Stellar Height is also located in Mumbai at Andheri, the region accounts for 100% of the saleable area / revenue of the company resulting in geographical concentration hence any downturn in micro market may impact the cash flows adversely, also there are many residential projects being developed in the vicinity of Andheri, hence the project would face competitive pressure.

- **Cyclical nature of the real estate industry, subject to regulations**
  The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The sector is also subject to multiple regulatory approvals from respective authorities; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

Analytical Approach: Combined Approach
IVR has taken a combined approach for arriving at the ratings. IVR has combined the cashflows of two projects i.e. Stellar Heights and I-Stay being executed in SDPL and SREC respectively, both the entities are part of Starwing group. The cashflows from both the above-mentioned projects will be utilised to service the existing loans of SDPL and SREC.

Applicable Criteria:

Criteria of assigning Rating outlook
Rating Methodology for Real Estate Entities
Financial Ratios & Interpretation (Non-Financial Sector)
Policy on Default Recognition
Consolidation of Companies

Liquidity – Adequate

SDPL's liquidity appears to be adequate with current ratio of 4.67x as on March 31, 2023 and Gross Cash Accruals of the company stood at Rs.4.51 crore in FY23 along with the resourcefulness of the promoters which is evident from the fact that the ongoing projects are funded through a mix of promoter's contribution, customer advances and external debt. Unencumbered Cash and Bank balance of the company was Rs. 3.28 crore as on March 31, 2023.

About the Company

SDPL, incorporated on April 20, 1994, is flagship company of Starwing Group which was founded by Mr. Rajeev Dube in 1989. Mr. Dube has more than 30 years of experience in real estate industry as developer. The company undertakes real estate projects in Mumbai region. The group has successfully competed and delivered around 14 residential and commercial projects i.e. development of more than 12 lacs sq. ft of area mainly in Andheri, Vakola, and Santacruz area of Mumbai. Some of the notable developments by the Group are Kaatyayni Heights, Apurva Residence, Kaatyayni Residency and Kaatyayni Business Centre.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)	H1 FY24
Total Operating Income	136.57	100.57	32.28
EBITDA	20.23	18.28	8.50
Interest Cost	13.76	13.11	6.85
PAT	4.61	3.36	1.23
Total Debt	124.36	112.21	91.31
Gross Cash Accruals	5.36	4.51	1.23
EBITDA Margin (%)	14.81%	18.17%	26.25%
PBT Margin (%)	4.50%	4.44%	5.10%
PAT Margin (%)	3.36%	3.32%	3.80%

* Classification as per Infomerics standards.

Status of non-cooperation with previous CRA: None

Any other information: None

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. Cr.)	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	57.30	IVR BB+; Stable	--	--	--
2	Proposed Term Loan	Long Term	17.70	IVR BB+; Stable	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Mr. Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Term Loan	–	–	–	28.23	IVR BB+/ Stable
Long Term – Term Loan	–	–	–	5.24	IVR BB+/ Stable
Long Term – Term Loan	–	–	–	23.83	IVR BB+/ Stable
Long Term – Term Loan (Proposed)	–	–	–	17.70	IVR BB+/ 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-starwing-mar24.pdf

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

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.