



## Infomerics Valuation and Rating Pvt Ltd

### Press Release

### Sunstream City Private Limited

July 4, 2017

### Rating

Instrument	Amount	Rating	Rating Action
Non-Convertible Debentures (NCD) in the nature of Zero Coupon Bonds	Rs.817.9 crores (present outstanding)	IVR B-/Negative Outlook (pronounced IVR Single B minus with Negative Outlook)	Revised from IVR B-/Stable Outlook to IVR B-/Negative Outlook.

### Details of Instrument are in Annexure 1

Infomerics Valuation and Rating Pvt. Ltd. has revised the outlook from IVR B-/Stable Outlook (pronounced IVR single B minus with Stable Outlook) to IVR B-/Negative Outlook (pronounced IVR single B minus with Negative Outlook) to the outstanding Rs.817.9 crores NCD programme of Sunstream City Pvt Ltd. (SCPL). The NCDs are having a maximum tenor of 9 years. Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

### Detailed Rationale

The rating takes into consideration stretched liquidity of the company leading to ongoing delays in servicing of bank loan obligations, lack of progress in project implementation, highly debt funded nature of the project, negative networth, one of the Directors under investigation, financial closure for the project yet to be achieved and location constraints of the project (behind city garbage dump yards). However, the rating derives comfort from experienced promoters, long and established presence of group and the project having all regulatory approvals. The revision in outlook primarily takes into consideration the stretched liquidity of the company leading to ongoing delays in servicing of bank loan obligations. Timely debt servicing and progress on project implementation are the key rating sensitivities.



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### List of Key Rating Drivers

- ✓ Company currently in delays in serving the interest payment of its bank loan obligations
- ✓ Lack of progress in project implementation.
- ✓ Negative networth & high debt funded nature of the project
- ✓ One of the promoters currently under investigation
- ✓ Financial closure for the project has not yet been achieved
- ✓ Project location, behind city garbage dump yards, may pose barrier for certain buyers
- ✓ Experienced Promoters
- ✓ Long & established presence of the group
- ✓ Regulatory approvals in place

### Detailed Description of Key Rating Drivers

#### ***Company currently in delays in serving the interest payment of its bank loan obligations***

The company is currently in delay in servicing the quarterly interest payment of its bank loan obligation for the year ended March 31, 2017

#### ***Lack of progress in project implementation.***

The project area has currently one incubation centre, electrical light posts and metal road. Thus the project is characterised by lack of progress.

#### ***Negative networth & high debt funded nature of the project***

Currently the company has very high amount of debt with negative networth. The company is expected to remain highly leveraged in the short run.

#### ***One of the Directors currently under investigation***

In February 2016, the MD of Hubtown, Mr Vimal Shah was arrested by the Maharashtra Police (Criminal Investigation Department) in a money siphoning case and later released on bail. The matter is currently sub-judice.

#### ***Financial closure for the project has not yet been achieved***

Financial closure for the project has not yet been achieved as equity for the project is yet to flow in and customer advances are yet to be realized as project has not taken off.



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### ***Project location, behind city garbage dump yards, may pose barrier for certain buyers***

The site is 1 km. from Eastern Express Highway, Mulund and 0.5 km from Thane Railway Station. It is well accessible by road and rail. The site is cushioned between mangroves of the Thana creek on one-hand and garbage dump yard of MCGM (Municipal Corporation of Greater Mumbai) on the other hand. The garbage dump yards may pose barrier to attract buyers.

### ***Experienced Promoters***

Sunstream City Pvt. Ltd, promoted by Hubtown, which has been promoted by Mr. Hemant Shah (Civil Engineer) and Mr. Vyomesh Shah (Chartered Accountant) who bring with them over 25 years of experience in construction and real estate.

### ***Long & established presence of the group***

Hubtown Limited (formerly known as Ackruti City Limited) is one of India's leading real estate development companies. Hubtown has presence in 7 Indian cities and has diversified into residential spaces, office spaces, IT parks, Special Economic Zones (SEZs). The company has pioneered various Social Infrastructure Development projects and projects with local governments. Hubtown being the parent company of Sunstream, is providing management and technical support to them. Hubtown has numerous subsidiaries and Joint Ventures that are involved in real estate activities.

### ***Regulatory approvals in place***

Sunstream City Pvt. Ltd has obtained all regulatory approvals from the government authorities for the project.

**Analytical Approach:** Standalone

### **Applicable Criteria**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation

### **About the Company**

Sunstream City Pvt Ltd is coming up with its first project namely 'Sunstream City' project at Mumbai. The project is located off Eastern Express Highway in Mulund and Thane region.



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This region is part of the Eastern suburbs of Mumbai. The company is promoted by Hubtown group. The group was incorporated in 1989 with a focus on civil engineering and development projects mainly from the government (including Ministry of Defence). Later in 2002, it was established as a public limited company. Hubtown has been promoted by Mr. Hemant Shah (Civil Engineer) and Mr. Vyomesh Shah (Chartered Accountant) who bring with them over 25 years of experience in construction and real estate.

### Financial Performance

The company is in project implementation stage and hence financial ratios do not indicate much. However, brief financials for the company are attached below.

(Rs. Crores)

For the year ended as on 31 <sup>st</sup> March	2014	2015	2016
Audited	(Audited)	(Audited)	(Audited)
Total Operating Income	0.2	15.2	0.2
EBITDA	126.2	0.3	4.3
Depreciation	0.2	0.1	0.1
Interest	126.4	1.8	4.4
PAT	-0.3	-1.5	0.0
Gross Cash Accruals (GCA)	-0.1	-1.4	0.1
Total Debt	0.0	0.0	3952.0
Long Term Debt	0.0	0.0	3952.0
Tangible Net worth	-3.6	-5.1	-5.2
Total Capital Employed	-3.2	-4.7	3947.3

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Nil

**Rating History for last three years:** As per Annexure 2

**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)

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## Infomerics Valuation and Rating Pvt Ltd

### About Infomerics:

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### Annexure 1: Details of Instrument

Name of Instrument	Date of issuance	Coupon Rate/ IRR	Maturity Date	Size of issuance (Rs Crores)	Rating Assigned/ Outlook
NCD	30 <sup>th</sup> March, 2016	Zero Coupon Bonds, Effective yield ~12% p.a.	Maximum tenure of 9years	817.9	IVR B- (pronounced IVR Single B minus/Negative Outlook)



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### Annexure 2: Rating History

Name of Instrument	Current Ratings			Rating History			
	Type	Amount Outstanding (Rs. Crores)	Rating	Date & Rating Assigned in 2016-17	Date & Rating Assigned in 2015-16	Date & Rating Assigned in 2014-15	
Non Convertible Debentures	Long Term	817.9	IVR B-/ Negative Outlook	(IVR B- /Stable Outlook)  (April 19, 2016)	Nil	Nil	