

## Sterling Gated Community Private Limited

February 14, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Instruments- Non-Convertible Debentures	60	<b>CARE B+; Negative (Single B Plus; Outlook : Negative)</b>	<b>Reaffirmed</b>
Total	<b>60 (Rs. Sixty crore Only)</b>		

*Details of instruments in Annexure-1*

### Detailed Rationale

The rating assigned to the non-convertible Debenture Issue of Sterling Gated Community Private Limited (SGCPL) continues to factor in the high project execution risk as the project is at a very nascent stage and yet to be launched for booking, the additional delay being attributable to the revision in configuration of units necessitating revised approvals, and increased dependency on customer advances.

The rating, however, derives strength from the promoter's extensive experience in the real estate industry and the favorable location of the project.

With the change in configuration of the units, the ability of the company to obtain the requisite revised approvals, and mobilize the required funding and customer advances for the project as per the estimated timelines would be the key rating sensitivities.

### Outlook: Negative

The negative outlook on the rating reflects the refinancing risk with the repayments of the debenture falling shortly and heightened project execution risk with some approvals still pending.

### Detailed description of the key rating drivers

Project has high execution risk as it is in nascent stage of development with construction work yet to begin. The Company revised the configuration from 3 BHK, and 4 BHK with a total of 147 units to 1 BHK, 2BHK and 3 BHK with a total of 600 units. This has necessitated the company to get revised approvals factoring the revision in configuration and number of units.

The reliance on debt has increased as the principal payments, debenture redemption premium and coupon payments of the NCD of Rs. 60 crore is falling due shortly and is expected to be refinanced by fresh term loan.

The project cost has also increased significantly on account of increase in saleable area and increase in interest cost resulting from higher debt. The increased cost is proposed to be financed through a mix of debt and customer advances.

The project is located in Whitefield which is one of the prime localities of Bangalore with good physical and social infrastructure. Even though Whitefield enjoys healthy demand for residential projects, there is a large supply of projects in this location and hence, the response to the project by SGCPL is yet to be seen. However, revision in configuration to 1BHK, 2BHK and 3 BHK, would enhance the saleability to an extent and some comfort can be drawn from the fact that the group has a track record of selling projects in various parts of the city as well as the project ('Villa Grande') located on the same land parcel.

### Analytical approach: Standalone

### Applicable Criteria

[CARE's Policy on Default Recognition](#)

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[Infrastructure](#)

### About the Company

SGCPL is a special purpose vehicle (SPV) formed by Mr Ramani Sastri and Mr Shankar Sastri, who have more than 30 years of experience of developing real estate projects in Bangalore and founders of the Sterling group. The Sterling group has an

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

experience in developing apartments, villas and commercial complexes across Bangalore. The Sterling developers group till date has developed over 28 projects in total.

SGPCL is developing a real estate apartment project in Whitefield, Bangalore. The project is residential project with the total of 600 units of 1BHK, 2BHK and 3 BHK, planned over a part of larger land parcel owned by an associate company, Sterling Urban development Pvt Ltd (SUDPL) and proposed TDR area of 2.84 lakh square feet. The configuration has been revised from the earlier plan of 3BHK and 4BHK with a total of 147 units. The project, which is in a pre-approval stage, is a Joint Development with SUDPL as the land owner with a share of 25% in revenue and the balance 75% with SGPCL as developer of the project. The remaining land of SUDPL is being developed as Villa Grande project comprising total 250 villas with Phase-I completed and Phase-II ongoing.

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	October 21, 2014	16%	June 30, 2017 & October 31, 2017	60.00	CARE B+; Negative

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	60.00	CARE B+; Negative	1)CARE B+ (01-Jul-16)	1)CARE D (03-Mar-16)	1)CARE BB+ (09-Oct-14)	-

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