

Stellar Ventures Private Limited

February 26, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	15.99 (Reduced from 26.02)	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	15.99 (Rs. Fifteen Crore and Ninety-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating to the bank facilities of *Stellar Ventures Private Limited (SVPL)* continues to remain constrained on account of *slowdown in sales momentum for Stellar Business Park*, slow Cashflows from the JV projects and subdued industry scenario. The rating however, continues to derive comfort from *experienced promoters, long track record of operations and cash flow from sale of non-core investment*.

Rating Sensitivities

Positive:

- Improvement in overall gearing below 0.50x on a sustained basis
- Improvement in sales momentum for remaining inventory in Stellar Business Park

Negative Factor:

- Future increase in debt level, thereby increasing gearing above 3X
- Delay in realization from the sale of industrial plot and less than envisaged prepayment for outstanding term loan.

Detailed description of the key rating drivers

Key Rating Weaknesses

Slowdown in sales momentum for Stellar Business Park

Out of total saleable area of 6.88 Isf, the company has achieved bookings of 4.01 Isf i.e. 58.28% of total saleable area till Dec 31, 2020 (PY: 3.99 Isf i.e. 58% of total saleable area sold till Feb-20). Owing to the overall subdued demand scenario in the industry, the growth in the booking has been slow and due to cancellations, the change in net sold area is very low in the last few years.

Further, out of total area sold for Rs.104.86 cr, Rs.102.39 cr have been received. Therefore, going forward, the ability of the company to sell the remaining area in timely manner and realize the sale proceeds, would be key rating sensitivity.

Slow Cashflows from the JV Projects

SVPL has co-developed Stellar MI Citihome and Stellar MI Legacy with M.I. Builders wherein SVPL had acted as the contractor. SVPL has extended loan and advances of Rs. 3 Cr as its equity contribution as on Dec 31, 2019 which has come down to Rs 2 Cr as on Dec 31, 2020. In the past 12 months ended Dec, 2020, SVPL has able to generate ~Rs.2.97cr from the Project Citihome and Project Legacy.

Subdued industry scenario

With the on-going economic conditions, the real estate industry is currently facing issues on many fronts, including subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc. thereby resulting in stress on cash flows of developers. The industry has seen low demand in the recent past, primarily due to factors like sustained high level of inflation leading to high interest rates and adverse impact on the buying power and affordability for the consumers.

Key Rating Strengths

Experienced promoters

The Noida-based Stellar Group was promoted by Mr. Ravi Mohan Sethi, a Retired IAS officer, in 1996 for undertaking real estate development. The Group has presence in real estate sector through various group companies including Stellar Ventures Private Ltd., Stellar Parks Private Ltd. etc. The Group has developed real estate space of over 60 Isf. While in service, Mr. R M Sethi had held key senior positions including Managing Director (Uttar Pradesh Financial Corporation and Pradeshiya Industrial & Investment Corporation of U.P.), Secretary (Agriculture, UP) etc. He is assisted by his son Mr. Akshay Mohan Sethi (Director in SVPL), who is an MBA from University of Chicago and joined the Group business after working as a Strategy Consultant at McKinsey (New York).

Long track record of operations

The company is predominantly present in Noida and it has executed 15 projects till March 31, 2020. The total area developed by the company is over 61 lsf and currently completed Stellar One, located in GH-09, Sec-01, Greater Noida. The total contract value is estimated at Rs. 301 cr. The project is divided into phases with phase-1 of Rs. 126cr. The company has already Completed the project in February 2020. Further the company has proposed to prepay the term loan to the extent of Rs.6cr in Q4FY21 from the sale proceeds of industrial plot for Rs.21.5cr. The company has sold one industrial plot in Q4FY21 for Rs.21.5cr and has already received Rs. 4.25 cr and final payment is expected to be received in Mar'21

Moderate Financial risk Profile

In FY 20, the total operating income has increased from Rs. 44.38 cr to Rs. 59.11cr, thereby, an increase of ~34%. The increase in the income was on the account of increase in project receipts from Rs. 41.37 cr in FY19 to Rs. 56.15 in FY20 from the project 'Stellar One'.

The debt coverage indicators also improved with overall gearing ratio at 1.22x (PY: 1.53x) as on March 31, 2020. The improvement takes in to consideration the reduction in total debt from Rs. 64.24cr to Rs. 54.43, mainly on account of reduction in term loans from Rs. 37.30cr to Rs. 12.73 cr as on March 31, 2020.

Sales realization from non-core investment

The liquidity during FY20 is managed by sale of shares in one of the group company at profit of Rs7.65cr and further during FY21, the company has sold one of its industrial plot for Rs.21.5cr and has already received Rs. 4.25 crore. Further the company plans to prepay the term loan to the extent of Rs.6cr from the balance realization from sale of plot and the remaining will be used for other general corporate purpose. Given the slow cash flow from other projects, the prepayment of loan and conservation of cash would be imperative for the company to meet its term loan obligation in timely manner.

Liquidity Position- Stretched

The liquidity of the company is stretched as reflected by low customer collection and sales momentum. The sales and collection remained slow in the last one year due to subdued real estate scenario. In future, timely realization from customer advances for timely payment of the interest and principal of term loan will be a key rating sensitivity. The company has availed the moratorium offered by the bank.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's methodology for Real Estate Sector](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

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

About the Company

Incorporated in 1996, Stellar Ventures Private Limited (SVPL) is the flagship company of 'Stellar' Group which is actively engaged in construction/development of residential and commercial projects in National Capital Region (NCR). The Noida-based Stellar Group was promoted by Mr. Ravi Mohan Sethi, a Retired IAS officer, in 1996, for undertaking real estate development. Mr. Sethi had held key positions during service, including Managing Director (Uttar Pradesh Financial Corporation and Pradeshia Industrial & Investment Corporation of U.P.), Secretary (Agriculture, UP) etc. Mr Sethi, currently CMD of SVPL and Mr. Akshay Mohan Sethi, who is an MBA from University of Chicago and joined the Group business after working as a Strategy Consultant at McKinsey (New York). The group has a major presence in the real estate sector through various group companies such as Stellar Parks Private Limited, Fact Software Private Limited etc. The group has developed over 61 lsf of area

(Rs. In crore)

Brief Financials (Rs. crore)	FY18(A)	FY19 (A)	FY20(A)
Total operating income	32.93	44.38	59.11
PBILDT	-1.74	1.65	7.34
PAT	1.21	1.88	2.81
Overall gearing (times)	2.03	1.53	1.22
Interest coverage (times)	-0.14	0.17	0.98

A: Audited P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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
Fund-based - LT-Term Loan	-	-	-	15.99	CARE BB; Stable

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	15.99	CARE BB; Stable	1)CARE BB; Stable (06-Apr-20)	-	1)CARE BB+; Stable (17-Dec-18)	1)CARE BB; Stable (18-Dec-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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