

Arena Orchards Private Limited

November 02, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-Convertible Debentures	100.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Long Term Instruments	100.00 (₹ One Hundred Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking No Default Statement (NDS) from Arena Orchards Private Limited. to monitor the rating(s) vide e-mail communications dated July 14, 2022, September 26, 2022 and October 18, 2022 and numerous phone calls. However, despite our repeated requests, the company has failed to provide NDS for consecutive 3 months i.e from July 2022 onwards.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating on July 13, 2022, following were the rating strengths and weaknesses.

Key Rating Weaknesses:

Nascent stage of the project: As on June 30, 2022, only 5% of the total cost of the project has been incurred. Also, project plan layout approval for Phase I is pending, which is expected to be received by the end of July 2022. As on date only N.A approval has been obtained from regional authority. RERA registration is pending for application, and such would be applied for by the end of July 2022. As the project is in the early stages, there is greater uncertainty about execution timelines. CARE Ratings therefore believes that the nascent stage of operations is one of the limiting factors for the rating.

Marketing Risk arising from moderate competition in the vicinity: The project faces modest threat from nearby projects being executed by other micro developers such as Shreeji Realtors, ASHIANA Group, SPACE Group and from other such micro developers. Also, at present Kalpataru is the only graded developer in the Karjat project location which mitigates the marketing risk to certain extent.

Ample supply of inventory in the area could potentially limit the company's ability to charge any premium on its project and limit its ability to pass any rise in input costs to its customers. The ability of the company to successfully manage the competition and market its project is the key rating sensitivity.

Project execution risk albeit presence of reputed contractors: The expected date of launch for plot sale of project Karjat is in September 2022. While the expected date of launch of row houses sale is to be expected to commence in November 2022 and that of residential flats by January 2023. The nascent stage of the project increases the funding risk for the company especially from customer advances.

However, by engaging reputed contractors to carry out E&C work along with long established track record of the Kalpataru group in the residential segment and its ability to timely mobilise the funds mitigates the execution risk to an extent.

Exposure to refinancing risk: Any delay in construction could adversely impact the company's cash flow position and its ability to refinance the NCDs. The refinance risk is mitigated to an extent with 3 years moratorium period in place from the expected date of issue of NCD.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Cyclical Nature of Industry Subject to Regulations: Real estate industry is unorganised, localised, and subject to local and central regulations. The Indian real estate industry is highly cyclical with volatile cash flows. The sector is also subject to multiple regulatory approvals; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

Key Rating Strengths

Strong Parentage of Kalpataru Group: The Kalpataru Group is one of the India's renowned business groups founded in 1969 by Mr. Mofatraj P. Munot with interests in real estate (residential as well as commercial), power transmission and infrastructure & EPC business. With a track record of almost 6 decades, the group started its operations as a real estate player and later diversified to other sectors such as property management, engineering, power transmission and infrastructure and warehousing and logistics. The group has a turnover of Rs. 14,777 crores in FY22 and employs more than 13,500 people. Currently, the group is headed by Mr. Mofatraj Munot's son, Mr. Parag M. Munot.

The groups power transmission arm – Kalpataru Power Transmission Ltd. and infrastructure & EPC arm – JMC Projects Ltd. (subsidiary of KPTL, now merged with KPTL) are listed on the stock exchanges and have a combined market cap of around Rs. 5,315 crores as on July 4, 2022.

Experienced and robust track record of the promoters in real estate business: Arena Orchards Private Limited (AOPL) is a subsidiary of Kalpataru Limited, one of India's largest real estate players. The promoters of AOPL have robust track record of almost 6 decades in the industry. Over the past 6 decades, the promoters have executed more than 105 projects which include residential high rises, commercial projects, integrated townships, redevelopment projects and shopping malls and have developed ~21.72 lakh sq.m. in Mumbai, Thane, and Pune. The group, however, predominantly executes residential projects. In the real estate industry, where credibility of the developer assumes very high significance, AOPL's parentage gives it a strong edge over its competitors. Continued support from the promoters is a key rating sensitivity.

Favourable location of the project: The real estate development in Karjat has grown substantially in the past years mainly on account of close vicinity to Mumbai, prosperous tourism industry, development of MMR and outmigration from Mumbai on account of high prices. The project is located ~5km from the Karjat Bus Depot and Karjat railway station and can be reached within travel time of 10-15 min.

Liquidity: Stretched

The company has negligible free cash and cash equivalents as on date. As informed by the management, there is no DSRA being maintained for the proposed NDS repayments. However, comfort is derived from the strong parent/group support and the fact that there is significant moratorium provided for both interest and principal repayments which will help in managing the liquidity situation.

Analytical approach: Combined

The project Karjat is to be developed through 3 SPV being Arena Orchards Private Limited, Arena Enviro Farms Private Limited, and Ambrosia Enviro Farms Private Limited. The financials of all 3 SPV's have been combined to arrive at the rating of Arena Orchards Private Limited, given the common ownership and cash fungibility among the 3 SPV's.

Applicable criteria:

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Project stage companies](#)

[Rating methodology for Real estate sector](#)

About the company

Project Karjat is part of Kalpataru group to be developed on a land parcel of 88.50 acres with potential development of around 48 acres. The project location is well connected by road via 4 lanes wide Karjat- Khopoli Highway and Karjat railway station is within ~ 5 km. of proximity. The development would mainly consist of plot, row houses, residential flats under affordable housing scheme, retail, and amenity plots.

Arena Orchards Private Limited is among the 3 SPV's floated for the Karjat project holding approximately 36 acres of land parcel with development potential of around 18 acres. The other 2 SPV being Arena Enviro Farms Private Limited and Ambrosia Enviro Farms Private Limited.

The total cost of the Karjat Project is estimated to be around Rs. 401 crore which will be funded by PE fund of Rs. 200 crores by way of issue of Secured NCD in tranches and balance Rs. 201 crores from project inflows. The total cost of project attributable for Arena Orchards is estimated to be around Rs. 126 crores funded by issue of Rs. 100 crores Secured NCD in first tranche.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	0.02	0.00	N/A
PBILDT	-0.51	-0.10	N/A
PAT	-0.60	-0.19	N/A
Overall gearing (times)	-1.93	-2.06	N/A
Interest coverage (times)	-5.08	-1.11	N/A

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	-	-	-	July 2027	100.00	CARE BB; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non Convertible Debentures	LT	100.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (13-Jul-22)	-	-	-

*Long term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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