

## New Front Housing (Revised)

January 03, 2023

### Rating

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities (i)	2.96	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities (ii)	-	-	Withdrawn
<b>Total Bank Facilities</b>	<b>2.96</b> <b>(₹ Two Crore and Ninety-Six Lakhs Only)</b>		

Details of facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating of long-term bank facility (i) of New Front Housing (NFH) continue to remain tempered on account of risk associated with Phase II of the project which is at nascent stage and competitive and cyclical real estate industry.

However, the above weaknesses are partially underpinned by extensive experience of the promoters with long track record of the firm and strategic location of the project and successful completion of Phase I with sale of all the units.

CARE Ratings Ltd. has withdrawn the rating assigned to the Bank facilities (ii) with immediate effect, as the firm has repaid the aforementioned facility in full and there is no amount outstanding under the facility as on date.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- ✓ Substantial progress in Phase II
- ✓ Better than envisaged pick-up in demand leading to higher sales realization and timely receipt of customer advances

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- ✗ Delay in execution of phase II resulting in cost overrun by over 20%.
- ✗ Slower booking of units along with lower than envisaged sales realizations and delayed receipt from customer
- ✗ Any un-envisaged increase in scope of project that may lead to cost escalation and change in funding pattern for the project under execution

### Detailed description of the key rating drivers

#### Key rating weaknesses

**Presence in competitive and cyclical real estate industry:** The firm is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market. The real estate industry in India is highly fragmented with most of the real estate developers having region-specific presence. NFH also faces competition from other real-estate projects in the area.

**Project risk associated with execution of Phase II of the project:** The firm is yet to launch the phase II of the project. The project is assumed to launch in October 2023, with a total estimated projected cost of Rs.63.77 crore. The same to be funded by Promoter contribution of Rs.13.97 crore, Debt of Rs.25 crore and balance from customer advance. The project is expected to fully complete by March 2027. The firm is yet to get the sanction from the lenders, approvals are yet to be obtained. In view of the nascent stage of the project, the project is exposed to construction risk, implementation risk and sale ability risk albeit lower due to successful completion of phase I and sale of all the units. Hence timely completion of the project without cost and time overrun remain critical from credit perspective. Hence, remain a key monitorable.

#### Key rating strengths

**Long track record and experience of the promoters:** NFH is a part of New Front Group (NFG) which is one of the established real estate groups in Pune. The group has been engaged in real estate business since past one and a half decade and has completed projects around 7.51 lsf. The key partners in the group Mr. Mukund Deshpande and Mr. Pravin Ghadge have an average experience of over one decade in the real estate business.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Strategic location of the projects:** Phase II of the NFH, which is currently being developed is located at Kalepada, Hadapsar, Pune which is very well connected to Pune Solapur Highway. The project is residential project with modern amenities targeting customers from the middle class and lower middle class. In addition, the project is situated in area with easy access to basic civic amenities such as schools, hospitals, colleges, malls, situated and has close proximity to Magarpatta city and Pune Solapur Highway.

**Successful Completion of Phase I of the project:** The firm has successfully completed the project and has obtained Occupancy Certificate dated November 20, 2020, from Pune Mahanagarपालिका. Furthermore, as on December 29, 2022 the firm has sold the entire inventory and has initiated work on Phase II of the project.

**Liquidity:** Stretched

The liquidity position of the firm remains stretched marked by high overall gearing of 4.36x as on March 31, 2022, against 5.96x on March 31, 2021. Also, the firm is yet to sanction project debt of Rs.25 crore towards phase II. The firm had a cash balance of Rs.0.22 crore as on March 31, 2022 (Prov.) as against No external debt obligation as on December 29, 2022.

**Analytical approach:** Standalone

### Applicable criteria

[Rating Outlook and Credit Watch](#)

[Policy on Withdrawal of Ratings](#)

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

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

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

[Rating Methodology Real Estate Sector](#)

### About the company

Established in the year 2009, New Front Housing (NFH) is the SPV of New Front Group. The group has executed 15 projects of around 7.51 Isf till November 2022. NFH was established with a view to execute the real estate project namely "48 East Park" situated in Hadapsar, Pune. The project comprises of two buildings namely East Park Phase I and East Park Phase II.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	H1FY23 (UA)
Total operating income	42.22	8.76	NA
PBILDIT	2.30	1.11	NA
PAT	0.36	0.17	NA
Overall gearing (times)	5.96	4.36	NA
Interest coverage (times)	1.23	1.27	NA

A: Audited, UA: Unaudited

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

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

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

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

### Annexure-1: Details of facilities

Name of the Facility	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
Fund-based - LT-Bank Overdraft		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	NA	2.96	CARE BB-; Stable

### Annexure-2: Rating history for the last three years

Sr. No.	Name of the 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	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (25-Oct-21)	1)CARE B+; Stable (04-Sep-20)	1)CARE B; Stable; ISSUER NOT COOPERATING* (05-Mar-20)
2	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)CARE BB-; Stable (25-Oct-21)	1)CARE B+; Stable (04-Sep-20)	-
3	Fund-based - LT-Term Loan	LT	2.96	CARE BB-; Stable				

\*Long term/Short term.

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

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

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