

CHD Developers Limited

February 03, 2020

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	235.30	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	235.30 (Rs. Two Hundred Thirty-Five Crore and Thirty Lakhs Only)		
Fixed Deposit	38.15	CARE D (FD); ISSUER NOT COOPERATING* [Single D (Fixed Deposit) ISSUER NOT COOPERATING*]	Rating continues to remain under ISSUER NOT COOPERATING category
Fixed Deposit	7.37	CARE D (FD); ISSUER NOT COOPERATING* [Single D (Fixed Deposit) ISSUER NOT COOPERATING*]	Rating continues to remain under ISSUER NOT COOPERATING category
Total Medium Term Instruments	45.52 (Rs. Forty-Five Crore and Fifty-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 04, 2019 placed the ratings of CHD Developers Limited (CDL) under the 'issuer non-cooperating' category as CDL had failed to provide information for monitoring of the rating. CDL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated January 11, 2021, January 07, 2021, January 05, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further all bankers could not be contacted.

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

The rating has been assigned by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by CDL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing by delays in servicing of debt obligations, Slow momentum of project sales and collections, Disclosures in audit report, Moderate capital structure and weak debt coverage metrics, High dependence on customer advances and Subdued industry scenario.

The ratings, however, continue to take comfort from experienced promoters and management team coupled with long track record in real estate and hospitality industry.

Detailed description of the key rating drivers

At the time of last rating on December 04, 2019 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations

There have been delays in debt servicing towards bankers as well as to the FD holders by CHD Developers on account of stretched liquidity position of the company.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Slow momentum of project sales and collections

Currently, CHD is developing a total saleable area of 58.59 lakh square feet (Isf), out of which about 55% of the area i.e. 32.43 Isf has been sold as on March 31, 2019. Further, as on March 31, 2019, out of the total sale value of the sold area of Rs.1349 Cr, CHD has received Rs.1086 Cr which is ~80.5% of the total sale value. However, during the last 10 months ended March 2019, the incremental sales stood at 2.33 lakh square feet for value of Rs.58.38 Cr depicting slow momentum of fresh sales of projects given the subdued industry scenario. Further, during this period, the company has received Rs.66.34 Cr as project collections delivering average monthly collections of Rs.6.6 Cr.

Disclosures in audit report

In FY19 audit report, the auditor's opinion is qualified mainly on the basis of negative operating cashflows of the company for last three years amounting to Rs.41 Cr (FY17), Rs.61 Cr (FY18) and Rs.47 Cr (FY19) which may affect entity's ability to continue as a going concern. The auditor has also emphasized that the company has not received 75% of amount against share warrants (Rs.49 Cr). As per management, the said amount is expected to be received by Aug. 2019. Timely receipt of the same shall be crucial for the credit profile of CHD, going forward.

Moderate capital structure and weak debt coverage metrics

As on March 31, 2019, there has been deterioration in the capital structure of company as reflected by debt-equity ratio of 1.04x (PY: 0.97x), overall gearing of 1.61x (PY: 1.28x) and interest coverage ratio of 1.24x (PY: 1.33x). The total debt of company has increased to 265.56 Cr (PY: Rs.207.51Cr) as on March 31, 2018. Furthermore, the company has outstanding EDC/IDC liabilities amounting to Rs.135.61 Cr as on March 31, 2019.

High dependence on customer advances

As on March 31, 2019, the company has funded about 83% of the total project cost incurred Rs.1086 Cr through its customer advances received from sale of projects. Further, as on March 31, 2019, there are customer advances receivable of Rs.263 Cr, majority of which are construction linked and would be realized with the progress in the construction stages of projects. Thus, high dependence on customer advances amid on-going slow execution of projects exposes company to funding risk.

Subdued industry scenario

In real estate sector, prices are likely to remain stagnant and developers will continue to focus on clearing existing inventory rather than launching new projects as they continue to grapple with regulatory changes like Real Estate (Regulation and development) Act, 2016 (RERA), Goods and Services Tax (GST) and overall subdued demand. In fact, 2020 is expected to be another tough year for real estate developers, given the on-going liquidity issues in the NBFC sector.

Analytical Approach: Consolidated

For arriving at the ratings, CARE has combined the business and financial risk profiles of CHD Developers Limited and its nine subsidiaries namely, CHD Facility Management Pvt. Ltd., CHD Infra Projects Pvt. Ltd., CHD Blueberry Realtech Pvt. Ltd., CHD Elite Realtech Pvt. Ltd., Delight Spirits Pvt. Ltd., International Infratech Pvt. Ltd., Empire Realtech Pvt. Ltd., CHD Hospitality Pvt. Ltd. and Golden Infracon Pvt. Ltd. All the entities have a common management team and are in the same line of business.

Applicable criteria

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

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

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

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

[Rating Methodology: Factoring Linkages in Ratings](#)

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

About the Company

CHD Developers Limited (CHD) incorporated in 1990, is promoted by Mr. Rajinder Kumar Mittal (Chairman), having more than three decades of experience in the real estate industry. CHD is listed on Bombay Stock Exchange (BSE) since 1995. The company is engaged in development of real estate (residential and commercial) in the National Capital Region (NCR) including Karnal, Gurgaon and Sohna (Haryana). The company has long-standing presence and established brand in Gurgaon and Karnal. In the past, the company has completed several residential and commercial real estate projects with total saleable area of 54.92 Isf.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	149.99	152.85
PBILDT	12.80	14.81
PAT	1.24	0.53
Overall gearing (times)	1.28	1.61
Interest coverage (times)	1.33	1.24

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (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	-	-	-	190.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees	-	-	-	45.30	CARE D; ISSUER NOT COOPERATING*
Fixed Deposit	-	-	-	7.37	CARE D (FD); ISSUER NOT COOPERATING*
Fixed Deposit	-	-	-	38.15	CARE D (FD); ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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	190.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (04-Dec-19) 2)CARE BB+; Stable (10-Jul-19)	1)CARE BBB; Stable (07-Sep-18)	1)CARE BBB; Stable (16-Aug-17)
2.	Fixed Deposit	LT	38.15	CARE D (FD); ISSUER NOT COOPERATING*	-	1)CARE D (FD); ISSUER NOT COOPERATING* (04-Dec-19) 2)CARE BB+ (FD); Stable (10-Jul-19)	1)CARE BBB (FD); Stable (07-Sep-18)	1)CARE BBB (FD); Stable (16-Aug-17)
3.	Non-fund-based - LT-Bank Guarantees	LT	45.30	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (04-Dec-19) 2)CARE BB+; Stable (10-Jul-19)	1)CARE BBB; Stable (07-Sep-18)	1)CARE BBB; Stable (16-Aug-17)
4.	Fixed Deposit	-	-	-	-	1)CARE BB+ (FD); Stable (10-Jul-19)	-	-
5.	Fixed Deposit	LT	7.37	CARE D (FD); ISSUER NOT COOPERATING*	-	1)CARE D (FD); ISSUER NOT COOPERATING* (04-Dec-19) 2)CARE BB+ (FD); Stable (10-Jul-19)	1)CARE BBB (FD); Stable (07-Sep-18)	-

*Issuer did not cooperate; Based on best available information

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.	Fixed Deposit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT-Bank Guarantees	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.

Contact us

Media Contact

Mr. Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Mr. Achin Nirwani

Contact no.: +91- 11-4533 3233

Email ID: achin.nirwani@careratings.com

Business Development Contact

Ms. Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**