

Mahaprabhu Residency LLP

June 18, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	65.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total Bank Facilities	65.00 (Rs. Sixty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Mahaprabhu Residency LLP (MRLLP) is constrained on account of high implementation as well as salability risk as project is at nascent stage of construction with no bookings till date, poor liquidity position, and inherent risk associated with the cyclical, fragmented & competitive real estate sector which is further gravely impacted by COVID-19.

The rating, however, derives strength from long standing experience of its promoter groups (Harmony & Times group) and their established track record of operations in the Ahmedabad real estate market, moderate funding risk and receipt of requisite approvals & clearances for the ongoing residential project.

Rating Sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade:

- Satisfactory project progress of the ongoing real estate project within envisaged cost and time parameters
- Timely booking & receipt of customer advances in line with construction pace.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Cost overrun of more than 20% in ongoing project.
- Time overrun in execution of project by more than 6 months from scheduled date of completion.

Detailed description of the key rating drivers

Key Rating Weakness

High implementation risk: MRLLP launched the project in June 2020 and is envisaged to be completed by October 2024. The project has received all requisite approvals for commencement of construction. As on May 12, 2021, MRLLP has incurred 39% of total project cost which was entirely funded by promoter's contribution. Further, the construction is at nascent stage and due to resurgence of COVID-19 second wave, the construction work is progressing at a slower pace, hence implementation risk remained high. However, considering demonstrated project execution capability by the promoter groups, achievement of financial closure and infusion of entire promoter's contribution implementation risk is reduced to some extent.

High salability risk: The total project cost of Rs.161 crore is envisaged to be funded through debt: promoters' contribution: customer advances in the ratio of 40:40:19. As on May 31, 2021, MRLLP has not received any bookings and considering subdued buyer's sentiments & sluggish demand scenario, the salability risk remained high.

Inherent risk associated with real estate sector: The real estate sector in India is highly fragmented with most of the real estate developers having a city-specific or region-specific presence. MRLLP is also exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario. The sector was already witnessing downturn since last few years with the sluggish property markets on the back of high unsold inventory, low demand and stalled projects, the outbreak of COVID-19 has further aggravated the problem. Nonetheless, continuation in economic recovery and control over the sudden outbreak of second wave of COVID-19 pandemic with successful rollout of vaccination drive would remain crucial for real estate developers in the near term.

Key Rating Strengths

Vast experience & established track record of the promoter groups: MRLLP is promoted by Mr Devansh Patel, Mr Jayprakash Patel and ten other partners. Mr Jayprakash Patel administers the overall affairs of the firm and has an experience of over 15 years in construction industry. Mr Devansh Patel looks after construction activity and has an experience of over five years in real estate sector. MRLLP is a part of the Ahmedabad-based Harmony & Times group and as on May 31, 2021, both the groups, on a combined basis, have developed 32 residential & commercial real estate projects along with plot schemes with total built

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

up area of around 76 lakh square feet (Isf). Better construction quality and timely completion of projects by both groups have resulted in a strong brand recall in Ahmedabad's real estate market.

Liquidity: Poor

The liquidity profile of the MRLLP remains poor marked by no bookings as on May 31, 2021. Further, considering sluggish demand scenario in real-estate sector owing to second-wave of COVID-19 could constrain the ability of MRLLP to realise funds from sale of flats as envisaged, which in turn also put stress on its cash flows & necessitates need based infusion from promoters. However, MRLLP is promoted by resourceful promoter groups who will infuse funds in case of any cost overrun. As on May 12, 2021, MRLLP had free cash & bank balance of Rs.1.53 crore.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit 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

MRLLP was incorporated on April 25, 2019 by Mr Devansh Patel, Mr Jayprakash Patel and ten other partners to construct a residential real estate project 'Harmony Harikesh'. The MRLLP is a part of Ahmedabad-based 'Harmony & Times' group.

The project; Harmony Harikesh is a residential project (registered under Gujarat Registration No. PR/GJ/AHMEDABAD/AHMEDABADCITY/AUDA/RAA07650/091120) consisting of nine high-rise residential buildings of 14 floors aggregating 392 flats. MRLLP has launched the project in June 2020 (though sales bookings was effectively launched from mid of January 2021) comprising of 3 BHK flats having a total built-up area of 7.07 Isf. The project is located at Science city road, Sola in Ahmedabad.

Brief financials: Not applicable as it is a project phase entity

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Complexity level of various instruments rated for this company: Annexure-3

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	-	-	October 2025	65.00	CARE B+; 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	65.00	CARE B+; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this Firm

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.

Contact us

Media Contact

Mr. Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Ujjwal Patel
Contact no.- +91- 79-4026 5649
Email ID- ujjwal.patel@careratings.com

Relationship Contact

Mr. Deepak Prajapati
Contact no. - +91-79-4026 5656
Email ID – deepak.prajapati@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**