

Nahar Builders Limited

November 27, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	90.00	CARE BBB; Stable	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Nahar Builders Limited (NBL) derives strength from the established brand presence of the 'Nahar' group in the Mumbai real estate market, particularly recognised for the development of the residential township 'Nahar Amrit Shakti' in Chandivali, Mumbai, wherein the group also owns a huge land bank, which provides significant financial flexibility and scope for new projects in future.

The rating also factors the satisfactory construction progress of its ongoing projects resulting in low implementation risk, as well as low dependence on external debt due to strong sales and collection momentum. Additionally, the ratio of comfortable committed receivables to pending project cost underscores NBL's adequate liquidity and comfortable capital structure.

The rating, however, is constrained on account of implementation and saleability risk of upcoming project, the geographical concentration of its operations and inherent cyclicity associated with the real estate sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Launch of new projects and receipt of healthy bookings therefrom, leading to low reliance on debt, improvement in revenue visibility and coverage indicators
- Successful completion of on-going projects and realization of envisaged profits, leading to significant improvement in NBL's financial risk profile

Negative factors

- Time overrun in execution of on-going projects by more than 6 months from scheduled date of completion.
- Significant increase in debt levels leading to deterioration in the financial risk profile of the company
- Delay in receipt of advances from booked units or slower than envisaged bookings from the on-going projects.

Analytical approach: Consolidated.

CARE Ratings has taken a consolidated view of NBL and its wholly owned subsidiaries, considering their managerial, operational and financial linkages. Details of subsidiaries is listed under Annexure-6.

Outlook: Stable

Stable outlook reflects CARE Ratings Limited (CARE Ratings) expectations that NBL shall be able to sustain its credit risk profile in the medium term underpinned by its experienced and resourceful promoter group and established brand presence of 'Nahar' group in the Mumbai' micro real estate market.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with strong brand recall 'Nahar' in Chandivali real estate market

Promoted by Mr. Sukhraj B. Nahar, the group has an established track record of around five decades in the real estate industry and has developed multiple residential and commercial projects admeasuring around 20 million sq ft (msf) majorly in Mumbai. Timely delivery of projects and quality construction have led to minimal inventory pile up at the group level, marking a strong brand recall of 'Nahar' group in Mumbai real estate market.

The group developed a high-end residential township 'Nahar Amrit Shakti' in Chandivali, Mumbai. This project spans approximately 125 acres having multiple residential towers, totalling ~6.3 msf, with additional potential for future development.

Satisfactory construction progress and sales momentum in the on-going projects:

NBL is currently executing two residential-and-commercial projects with a total saleable area (carpet area) of 2.64 lsf in Chandivali, Mumbai, namely 'The Amayllis Towers & Plaza' and 'Winterberry Towers & Plaza'. As on September 30, 2024, NBL has incurred a total cost of ~Rs.404 crore (~77% of the total project cost) in ongoing projects, funded in customer advances: debt: creditors in the ratio of 77:22:2. Both projects are expected to be completed well ahead of scheduled completion date as per RERA.

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

In terms of saleability, NBL has sold ~84% of the saleable area in the Amaryllis project at a sales value of Rs.491 crore and received collections of around Rs.363 crore till September 30, 2024. However, NBL has not yet launched 'Winterberry' project for sale, which has a saleable area of 0.43 lsf. Nevertheless, considering its limited inventory of 40 units, CARE Ratings does not anticipate any major saleability risk. As of September 2024, the group holds an unsold inventory equivalent to four quarters, indicating healthy sales momentum.

Moderate financial risk profile

NBL's capital structure remained moderate marked by overall gearing of 1.36x as on FY24-end. NBL operates with a healthy net worth base of Rs.368 crore as against total debt of Rs.501 crore. NBL's external debt remained low at Rs.140.77 crore, while the balance was unsecured loans (USL) from the promoter group. A large part of NBL's net worth and USL is utilised towards acquisition of land and inventory funding of completed projects.

Nevertheless, with a sizeable project launch planned in H2FY25 (FY refers to the period April 01 to March 31), any significant increase in debt levels, resulting in deterioration in NBL's financial risk profile shall remain a key monitorable.

Availability of sizeable land bank for future projects execution

NBL has a sizeable land bank of around 29.58 acres in Chandivali, Mumbai, with an estimated market value of around Rs.1000 crore. The promoters acquired these land parcels at favourable prices, and through NBL's focused development efforts of Chandivali, the market value of group's landbank has grown substantially. The land holding offers significant financial flexibility and scope for planning new projects.

Key weaknesses

Implementation and marketing risk associated with the upcoming project

Nahar group is coming up with a new project in Chandivali Mumbai, with a total cost of around Rs.1000 crore and a total saleable area of 7 lsf in Q4FY25. This exposes the group to inherent marketing, execution, and funding risk associated with the project. Considering the sizeable launch planned in next 3-4 months, timely execution of the project as well as receipt of healthy booking advances shall remain a key rating monitorable.

Geographical concentration risk

All the projects of Nahar group are developed in Chandivali, a micro-market within Mumbai, Maharashtra. The geographical concentration of the projects exposes NBL's growth prospects to potential risk arising from the micro and socio-political upheavals in the region.

However, robust demand for housing in the city, driven by factors such as rising disposable income and a growing preference for larger homes, is expected to sustain overall demand for real estate in the medium term.

Inherent cyclical nature of real estate Industry

NBL is exposed to the cyclicity associated with the real estate sector, which is closely linked to broader macroeconomic conditions, interest rates and level of disposable income available with individuals. Moreover, the profitability of the real estate companies is significantly dependent on property markets. A high-interest rate environment could deter consumers from borrowing to finance the real estate purchases, dampening activity in the real estate market.

Liquidity: Adequate

The liquidity of the company is adequate as reflected by satisfactory customer collection and sales momentum in its ongoing project. The liquidity is further supported by low level of external debt attributed to the mandatory cash sweep of collections towards the repayment of existing ongoing project debt.

As of September 30, 2024, the committed receivables from sold inventory of on-going stood at Rs.128 crore, constituting around 80% of total pending construction costs and outstanding debt. As on September 30, 2024, NBL had an unencumbered cash balance of Rs.15.45 crore, apart from funded DSRA of Rs.2.57 crore for the debt repayment obligations of the Amaryllis project. Furthermore, undrawn bank lines of Rs.29.17 crore is expected to aid the construction of the on-going projects.

Furthermore, during the trailing 12 months ended September 30, 2024, NBL has received around Rs.170.36 crore of sales collection from the ongoing project, reflecting healthy collection efficiency.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)
[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in 2011, Nahar Builders Limited (NBL) is the flagship company of the 'Nahar' group. The group is engaged in the development of residential and commercial projects majorly in Mumbai. Mr. Sukhraj Nahar, the promoter and founder of Nahar group, is engaged in real estate development through other group entities since 1973. Currently 65% of the stake in NBL is held by Nahar and Bafna family and balance 35% stake by Yagnik family.

Nahar group has completed construction of residential and commercial real estate projects admeasuring ~20 msf of saleable area as on September 30, 2024. Currently, Nahar group is executing 2 residential projects with total saleable area (carpet area) of 2.64 lsf.

Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	175.04	136.23
PBILDT	-14.43	8.67
PAT	-6.33	0.92
Overall gearing (times)	1.40	1.36
Interest coverage (times)	-8.51	1.06

A: Audited; Note: 'the above results are latest financial results available'

Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	112.01	44.79
PBILDT	-4.66	10.84
PAT	3.93	9.10
Overall gearing (times)	0.62	1.05
Interest coverage (times)	-2.83	2.97

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Term Loan-Long Term		-	-	December, 2027	90.00	CARE BBB; Stable

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	90.00	CARE BBB; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Nahar Excalibur Projects Private Limited	Full Consolidation	Wholly owned Subsidiary
2	Poompuhar Real Estate Private Limited	Full Consolidation	Wholly owned Subsidiary

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Ujjwal Manish Patel Associate Director CARE Ratings Limited Phone: 079-40265649 E-mail: ujjwal.patel@careedge.in Vanshika Jain Lead Analyst CARE Ratings Limited E-mail: Vanshika.Jain@careedge.in
---	--

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**