

Nila Spaces Limited

November 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer Rating	0.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The Issuer rating assigned to Nila Spaces Limited (NSL) derives comfort from strong customer response for its sole ongoing project 'VIDA' at Gujarat International Finance Tec (GIFT) city, leading to healthy booking ratio and favourable ratio of committed receivables to pending project cost. The rating also factors the experienced promoters who have a proven track record of completing infrastructure and real estate projects on time, stable industry outlook backed by healthy demand and new launches of housing projects in GIFT, Gandhinagar. The rating further reflects NSL's strong financial risk profile, as it does not rely on external debt to fund its construction costs.

The rating is, however, constrained by the inherent risks of the ongoing project and the geographical concentration risk due to NSL's restricted presence around Ahmedabad and inherent cyclicity associated with the real estate sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful completion of on-going project and realisation of envisaged profit therein leading to significant improvement in the financial risk profile of the company
- Healthy bookings from the upcoming project, leading to the committed receivables being more than the pending construction cost and outstanding term debt.

Negative factors

- Delay in receipt of advances from booked units or slower than envisaged bookings in the upcoming projects leading to increase in unsold inventory
- Availment of higher than envisaged borrowings resulting in deterioration of overall gearing to above 1.00x
- Cost overrun by more than 20% in the ongoing projects
- Time overrun in execution of on-going projects by more than 6 months from scheduled date of completion.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings expectation that NSL shall benefit from the established presence of the group in the real estate market, favourable location of the project and healthy bookings in ongoing project.

Detailed description of key rating drivers:

Key strengths

Healthy booking and collection momentum in ongoing project with low funding risk

NSL is currently executing one residential project with a total saleable area of 4.25 lakh square feet (lsf) in GIFT city, Gandhinagar. Till September 30, 2024, NSL has received bookings for approximately 3.00 lsf (71% of the total saleable area) at an agreement value of Rs.476.81 crore. Out of this, NSL has received customer advances of Rs.278.54 crore. The committed receivables from sold units are sufficient to cover 68% of NSL's remaining estimated costs, resulting in a low funding risk for the project.

Furthermore, a residential project of 5.22 lsf at SEZ area of Gift city is planned by the company in Q4FY25. NSL's ability to maintain healthy sales momentum in the upcoming project and thereby ramp-up the bookings and collections while maintaining its healthy capital structure shall remain key rating monitorable.

Comfortable capital structure with no reliance on external debt for project execution

As on September 30, 2024, NSL has incurred around Rs.188 crore, which was funded entirely through customer advances. NSL's capital structure remain highly comfortable marked by net worth of Rs. 129.79 crore (PY: Rs. 123.05 crore) and Nil debt resulting in overall gearing and TOL/ TNW of 0.01x (PY:0.00x) and 0.80x (PY:0.55x) respectively as on March 31, 2024. NSL's financial risk

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

profile is expected to remain below unity in the medium term, considering the absence of external debt for the execution of the on-going/ upcoming projects, coupled with healthy accretion of profits.

Experienced promoter group

Promoted by Vadodaria family, NSL is a part of Ahmedabad-based Sambhaav group, which has a proven track record of more than three decades in execution of infrastructure and real estate development projects. Currently, NSL's operations are managed by the third generation of the family, Mr. Deep Vadodaria, who has more than 15 years of experience in the industry.

Key weaknesses

Implementation risk associated with the on-going project

NSL is currently executing one residential project that is at a moderate stage of execution, with 31% construction cost being incurred till September 30, 2024 (total construction cost: Rs.326.38 crore). Moreover, NSL has planned to launch a new project in Q4FY25, which is expected to increase the execution risk.

Geographical concentration risk

All the projects of NSL are geographically concentrated in and around Ahmedabad. The geographical concentration of projects exposes the NSL's growth prospects to the macro and socio-political upheavals in the region. Nevertheless, the government's ongoing investments in key infrastructure projects, including the GIFT city, are anticipated to enhance the city's appeal as an attractive place for both living and working.

Inherent cyclical nature of real estate Industry

NSL 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. Moreover, the profitability of the real estate companies is highly dependent on property markets. A high-interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and might depress the real estate market

Liquidity: Adequate

NSL's liquidity position remains adequate as reflected by satisfactory customer collections and robust sales momentum in its ongoing project. Additionally, NSL's liquidity is further bolstered by its lack of reliance on external debt.

As on September 30, 2024, the committed receivables from sold inventory in the ongoing project stood at Rs.198.27 crore, forming around 68% of total pending construction cost of project. Furthermore, during the trailing 12 months ended September 2024, the firm has received around Rs.149 crore, reflecting healthy collection efficiency.

Applicable criteria

[Definition of Default](#)

[Issuer Rating](#)

[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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in 2000, Nila Spaces Limited (NSL; CIN: L45100GJ2000PLC083204) is a part of the Ahmedabad-based Sambhaav Group. Led by third-generation entrepreneur, Mr. Deep Vadodaria, NSL is executing a residential project 'VIDA' with a total saleable area of 4.25 lsf at GIFT city, Gandhinagar.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	1.01	90.71	63.02
PBILDT	-8.17	11.14	14.15
PAT	-4.02	6.77	6.45
Overall gearing (times)	0.00	0.01	0.01
Interest coverage (times)	NM	2.34	2.06

A: Audited, UA: Unaudited, NM: Not meaningful; Note: these are latest available financial results

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
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	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	Issuer Rating-Issuer Ratings	LT	0.00	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: Not applicable

Annexure-5: Lender details:

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

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	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Ujjwal Manish Patel Associate Director CARE Ratings Limited Phone: 079-40265649 E-mail: ujjwal.patel@careedge.in
	Ashutosh Sharma Analyst CARE Ratings Limited E-mail: Ashutosh.sharma@careedge.in

About us:

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