

N Rose Developers Private Limited

April 28, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities - WCTL	20.06	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities – Term loan	107.56	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Facilities	127.62 (Rs. One Hundred Twenty-Seven Crore and Sixty-Two Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings to the bank facilities of N Rose Developers Pvt. Ltd. (NRDPL) takes into account improvement in the financial risk profile with cash flow adequacy ratio of 112% as on March, 2021 and decline in the approval and execution risk with the ongoing projects nearing completion with 97.5% work completed. The rating also factors in favorable location of the project and vast experience of the promoters in the real estate business.

The above rating strengths are, however, tempered by small scale of operations and geographically concentrated revenues and cyclical nature of real estate industry.

Rating Sensitivities

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

- Increase in scale of operations and geographically diversification in revenues without negatively effecting the financial risk profile of the entity

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

- Decline in tied-up receivables to outstanding debt and pending construction cost below 50%.
- Decline in area sold to area launched for sales (including Ph-I and II) below 35%
- Any major cost/time over-run in the project
- Slower than anticipated ramp-up in collections resulting in moderation in company's financial risk profile
- Higher than anticipated debt and reduction in liquidity buffer may adversely impact the rating

Detailed description of the key rating drivers

Key Rating Strengths

Well experienced promoters and management team: NRDPL is promoted by Mr. Narayan Anand Shelar, Mr. Natwarlal Purohit and Mr. Hiren Ashar and their respective families. Mr. Shelar is a civil engineer and has been in the construction and hotel industry for more than 25 years. Mr Ashar is a commerce graduate with an experience of more than 20 years in the real estate industry. The promoter along with the directors and family members – Mr. Ramjibhai Hirabhai Bharwad and Mr. Laxman Anand Shelar form the core management team of NRDPL. All of them are well versed with the nuances of the real estate industry and also have expertise in generating Transferable Development Rights (TDR). Further, since most of the earlier successfully launched projects executed by NRDPL were in the Borivali-Dahisar belt, the builders have a reputation in this location and its vicinity.

Favorable location of the Project: The Project is located at Dahisar (East) which is the northernmost suburb of Mumbai. The surrounding area is primarily residential with few commercial spaces and retail shops. The project location is well connected by road to other parts of the city through Western Express Highway and SV Road. It is also very close to Dahisar suburban railway station. The proposed Mumbai Metro Line from Andheri to Dahisar shall further improve the connectivity once it is implemented. The construction work for the proposed metro has also commenced. The residential real estate market in Dahisar has grown considerably over the years as it is one of the most favoured locations for people who do not prefer the busy, crowded places in the city and incur high cost of living.

Decline in approval and execution risk with the ongoing projects nearing completion: NRDPL currently has two ongoing projects namely "Heaven Plaza (HP)" and "Northern Height (NH)". The company has already received occupancy certificate for its "Heaven Plaza" project. Moreover, the company has complete commencement certificate in place for completing its "Northern Height" project. Hence, the project approval risk has declined as compared to the last year. Moreover, till March 31, 2021 the company had already incurred 97.5% of the budgeted project cost towards the projects (97% of the budgeted cost till Dec 30, 2020). In terms of construction progress the company's NH project's construction work has reached till 42nd and 39th habitable floor (out of total 42 floors) and finishing work has been going

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

on concurrently with the structure work with 62% already being completed till end of January 31, 2021. This has resulted in decline in the project execution risk for the company.

However, the company is yet to execute Phase-2 of the project. As per banker interaction the company has asked for enhancement of around Rs.200 crore for its Phase – II project wherein the discussions and approval are still ongoing. As per the management, the company is yet to conclude on whether the construction work is to be undertaken within the company or the work is to be outsourced by entering into an agreement with reputed developer wherein the execution portion of the project will be handled by the developer. Any significant change in the plans of the company in this regard remains a key rating monitorable.

Improvement in the financial risk profile: The company has already sold ~85.22% (80.21% as on January 31, 2020) of the planned saleable area (i.e. 9.78 lakh sqft) of the ongoing project against which 66% of the agreement value is recovered as on December 2020. This has resulted into cash flow adequacy ratio wherein the committed receivable to outstanding bank debt plus pending project cost stood at 112% (72% including unsecured loans).

Key Rating Weaknesses

Small scale of operations and geographically concentrated revenues: The company's scale of operations continues to be small with tangible Net-worth of Rs.25.45 crore (excluding redeemable Preference Shares and Unsecured loans) as on March, 2020. Owing to its small scale of operations and real estate nature of industry, the company's credit profile remains vulnerable to project risk as addition of a single project may result in significant change in the company's business risk. Moreover, NRDPL's area of operations is concentrated in Mumbai suburb, resulting in significant geographical concentration. Any downturn in these micro markets may impact the cash flows adversely.

Cyclical nature of real estate industry subject to regulations: Real estate sector demand is linked to the overall economic prospect of the country. Change in the economic outlook affects the expected cash inflows to a household thereby also influencing their buying decision. Besides, as leverage forms an important part of funding for the buyer, availability of loan and interest rates also affects the demand of real estate properties. On the other hand land, labour, cement and metal prices being some of major cost centres for the sector, availability of these factors plays important role in pricing and supply of new units. Hence, cyclicity associated with economic outlook, interest rates, metal prices etc. also renders the real estate sector towards cyclicity. Moreover, the companies in the sector are also exposed to regulatory changes, especially in the countries such as India with evolving regulations.

Liquidity: Adequate

The company had availed six months moratorium during the period from March to August, 2020 announced by RBI. Hence, the principal repayment which was earlier due from June, 2020 was deferred by six months starting from December, 2020. As on March 30, 2021 the interest expenses accrued during the moratorium period has been completely paid-off and the quarterly instalments due for December and March quarter of Rs.10 crore each has been paid-off as per repayment schedule. Additionally, the lender has sanctioned Rs.20.06 crore loan under GECL Scheme (Guaranteed Emergency Credit Line Scheme). As on December 31, 2020 the company's cash and bank balance was Rs.40.74 crore (including DSRA amounting to ~Rs.9.10 crore which covers three months of instalments). Moreover, the company's tied-up receivables are sufficient to meet its pending construction cost and outstanding debt repayments which stood at 112% (72% including unsecured loan) as on March 31, 2021. As receipt of tied-up receivables are linked with that of the construction progress, the company's liquidity position may be considered as adequate.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Financial ratios - Non-Financial sector](#)

[Rating Methodology – Real Estate Sector](#)

[Liquidity analysis of Non-financial Sector Entities](#)

About the Company

N. Rose. Developers Private Ltd. (NRDPL) is a Mumbai based real estate developer which was established in July, 2004 by Mr. Narayan Anand Shelar, Mr. Natwarlal Purohit and Mr. Hiren Ashar. The promoters of N Rose Developers are into real estate business for more than 15 years with primarily focusing on redevelopment and SRA residential projects in and around Mumbai. Since inception, NRDPL has completed a wide range of residential projects admeasuring over 6.5 lakh sqft. Geographically, all of the company's projects are located in the northern suburbs of Mumbai i.e. Borivali and Dahisar. NRDPL is currently developing residential projects in a total plot area of over 4 lakh sqft at Dahisar, East in Mumbai in two phases i.e. Phase-I (ongoing) and Phase-II (yet to be executed).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	23.23	128.80
PBILDT	13.77	29.28
PAT	1.46	9.64
Overall gearing (times)	10.56	8.17
Interest coverage (times)	1.21	1.85

A: Audited; Note: Financials are classified as per CARE internal standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated facility: 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 Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2023	107.56	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	December 2025	20.06	CARE BBB-; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	107.56	CARE BBB-; Stable	1)CARE BBB-; Stable (08-Apr-21)	1)CARE BBB- (CWN) (07-May-20) 2)CARE BBB-; Stable (01-Apr-20)	-	1)CARE BBB-; Stable (13-Feb-19)
2.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	-	-	1)Withdrawn (13-Feb-19)
3.	Fund-based - LT-Working capital Term Loan	LT	20.06	CARE BBB-; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
I. Maintenance of DSRA	DSRA equivalent of 3 months interest to be created immediately and DSRA of 3 months installments to be built up before full disbursement during moratorium period and before commencement of repayment from credit in ESCROW account/sales realization.
II. Maintenance of Ratios	Interest coverage ratio to be maintained above 2 and FACR to be maintained above 125%.
B. Non financial covenants	
I. Disbursement	Disbursement of the loan is to be linked with construction progress and as specified in the drawdown schedule.
II. Insurance	Contractors all risk insurance should be taken by the borrower with banks name in the policy for the project being funded by the lender. Insurance cover should be obtained from the company approved by the lender.

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

Sr No	Name of instrument	Complexity level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT-Working capital Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

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