

Nambiar Builders Private Limited

March 31, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	441.66 (Reduced from 445.00)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Total Bank Facilities	441.66 (Rs. Four Hundred Forty-One Crore and Sixty-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Nambiar builders Private limited (NBPL) factors improvement in unsold inventory levels to less than a year backed by continuing high sales velocity as well as reduction in debt repayments in near term. The rating also positively factors satisfactory construction status of the ongoing projects with around 80% of the cost incurred resulting in satisfactory receivables from sold area to cover balance construction cost and debt repayments. The rating also considers the commencing of the projects under the Joint venture with Sobha Limited which also received favourable response.

These rating strengths are partially offset by project execution being majorly dependent on customer advances and therefore it is necessary for company to maintain envisaged sales and collections and high advances to the group companies. The rating is also constrained by geographical concentration risk considering all the projects are being executed in Bengaluru.

Rating Sensitivities

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

- Reduction in overall debt under NBPL below Rs.250 Cr by FY23 end
- Higher than envisaged cashflows from project taken in JV with Sobha Limited

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

- Slowdown of sales velocity leading to unsold inventory of beyond 15 months

Detailed description of the key rating drivers

Key Rating Strengths

Satisfactory construction status of the ongoing projects with low level of unsold inventory

The group has two ongoing projects named Bellezea (5 phases) and Ellegenza with around 23 lsf of saleable area. There is satisfactory construction progress with around 83% of the total construction cost being incurred, with most of its phases in the final stages of development. Further, NBPL has achieved sales for around 82% of the saleable area for the projects which are under execution at present. The project construction is expected to complete within RERA timelines. Going forward, timely collection from the area sold, no cancellations and ability to achieve new sales shall remain crucial.

Unsold inventory levels stood 89 units which is around 29.25% of the total units launched for sales in the ongoing projects. With sales of sales 11 units per month the unsold inventory levels is low at 8 months.

Location and marketing advantage:

The projects of the group are strategically located between Hosur Road and Sarjapur Road, just 10 Mins from Wipro corporate office, on the Dommasandra – Chandapura road which have seen large scale development of residential projects like SJR Primecorp Palazza City, Sobha Royal Pavillion, Shriram Chirping Woods. The location has emerged as a fast-developing locality with good connectivity to key IT clusters like Marathahalli, Whitefield and Electronic City; retail developments like Total Mall, Central Mall, Forum Value Mall, D Mart; infrastructure initiatives like upcoming metro line, Wipro Technology Campus, RMZ Ecoworld, Pritech Park SEZ and RGA Tech Park. The project has seen healthy price appreciation. Bellezea project was launched 5 years back at Rs. 5,500-6000/sft and is currently selling at Rs. 10,500/sft. Similarly, Elegenza was launched 2 years back at Rs. 6,000-6,500/sft and is currently selling at Rs. 7,500/sft.

Joint Venture with Sobha Limited which is likely to reduce the debt availed against Bellezea and Eleganza projects

Under USPPL, Nambiar group has 86 acres of land and has entered into JDA with Sobha Limited for developing land in various phases. As per JDA, revenue will be shared in 23.5%/76.5% between Nambiar group and Sobha. Out of 23.5 % share, 6% is taken back to NBPL and the remaining 17.5% is offered to Urban Space Projects Private Limited(USPPL). Project is entirely handled by Sobha Limited in terms of operations, financial requirement and managerial support. The entire execution and marketing of the project is carried out by Sobha group. The project is launched under Sobha brand name thereby enjoying the established brand name of Sobha group.

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

Key Rating Weaknesses

Project execution being majorly dependent on customer advances:

Bellezea and Elleganza execution is primarily dependent on customer advances to the extent of around Rs 823 crore i.e 62% of the total project cost and thus timely receipt of the same is crucial. However, comfort can be derived from the fact that satisfactory progress has been achieved in sales status (about 82% area sold till January 31, 2022) and the remaining project cost of Rs 268 crore is already tied-up in form of receivables from sold stock (Rs 542 crore) and undrawn bank lines (Rs 99 crore). In the case of unexpected slow moving of the project, the construction can be slow down as these are independent residences unlike apartment project where entire project needs to be completed irrespective of sales velocity.

Advances to group companies:

Over the last 2-3 years, NBPL extended advances to its group companies to the tune of Rs 141 crore as on March 31, 2020. A large part of these advances is extended to USPPPL for land acquisition admeasuring 86 acres. The company has plans to enter into JDA with Sobha Limited to develop 33 acres of land of which agreement is in place for 7 acres of land. Overall, 33 acres is expected to generate revenue of Rs 500 crores (NBPL Share) in the next 5-6 years. However, the company has discounted the cash flows from Sobha limited under the NBPL and USSPL in order to reduce the debt under Bellezea and Elleganza.

Liquidity: Adequate

The liquidity of the company is adequate as reflected by satisfactory customer collection and sales momentum. The unencumbered cash balance of the company was Rs. 6.48 Cr as on January 31,2022. NBPL has been able to garner collections of Rs 166.91cr with an average monthly collection of Rs. 16.50 crore per month during 9MFY22. Further the company has customer advances receivables of Rs.542.58 crore as on January 31, 2022. As on January 31,2022 the group has undrawn bank lines of Rs 99 crore.

Analytical approach: Consolidated view of operational and financial performance of NBPL along with its Subsidiary i.e. USPPPL is considered given the strong operational, management and financial linkages among the entities

Applicable Criteria

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Policy on default recognition](#)

[Rating methodology for Real estate sector](#)

[Rating Outlook and Credit Watch](#)

About the Company

Nambiar Builders Private Limited was established in 2009 by Mr. Ramesh Nambiar and Mr. Ratheesh Nambiar. It is primarily involved in the business of construction and development of premium and luxury villas. The company is developing villa projects in Bangalore, named Bellezea and Elleganza. Bellezea is being developed in five phases (one completed and four ongoing). Bellezea will comprise 421 high-end villas ranging from 4,000– 10,000 sft each, located along the Sarjapura–Electronic City corridor. Elleganza is also a villa project comprising of 354 medium – high end villas, located on Chandapura - Dommasandra Road

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021
Total operating income	103.36	92.40	NA
PBILDT	41.25	30.67	NA
PAT	3.89	7.19	NA
Overall gearing (times)	7.39	7.52	NA
Interest coverage (times)	1.23	1.31	NA

A: Audited || NA: Not available

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of Instruments / 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	-	-	-	May 2029	441.66	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 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	441.66	CARE BBB; Stable	-	1)CARE BBB-; Stable (01-Feb-21)	-	-

LT: Long Term

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

Name of the Instrument	Detailed explanation
A. Financial covenants	Security cover at least to the extent of 1.5 times of outstanding
B. Non-financial covenants	Monthly progress report along with sales report has to be submitted and Quarterly project progress report along with sales, collection, progress and inventory report to be submitted within 30 days from end of the quarter

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

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

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

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