

Envyrons Infrastructure Pvt Ltd

March 20, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	40	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total Facilities	40 (Rupees Forty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the facilities of Envyrons Infrastructure Pvt Ltd factors in the execution and off-take risk in light of nascent stage of project development as well as inherent risk associated with the real estate industry.

The rating however, derives strength from the experience of the promoters as well as all project approvals in place.

Going forward, the ability of the company to meet project timelines & cost estimates while achieving envisaged project sales would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

High project execution risk with ongoing project at nascent stages of development: IRS Vaastu Homes, launched in October 2017, is in the nascent stages of development with 8% of cost incurred as on December 31, 2017. Further, out of the incurred cost of Rs.11.41cr, the company has incurred Rs.9.31cr for land acquisition with the balance incurred for construction & approvals. The incurred cost has been funded by promoter equity of Rs.8.88cr while the balance has come from customer advances.

Overall, the company remains exposed to execution risk and the completion of projects within envisaged cost and timelines remain a key rating sensitivity. Moreover, with major part of balance cost to be incurred, planned to be funded through debt & customer advances, the project is also exposed to funding risk.

Significant project off-take risk: The projects of EIPL are at nascent stage of operation and carry off-take risk. The construction for phase-1 commenced in October 2017 and till December 31, 2017 the company had already booked 0.64 lsf out of total saleable area of 4.66 lsf, for Rs.24.70cr (@Rs.3876 per sq. ft) out of which Rs.2.52cr of customer advances have been received & incurred as project cost.

Also, with the current demand slowdown in the real estate market especially in the Delhi and NCR region, the ability of the company to sell the inventory as envisaged remains crucial for timely completion of this project.

Inherent risk associated with the real estate industry - Industry Risk: The real estate sector is moving towards a more rational regime where developers, having learnt from their mistakes, now focus on project execution and delivery. 2018 is expected to gradually move towards better home sales and see a spurt in launches in some locations. The year will also see the sector moving from an investor-driven to an end-user driven cycle.

As per market sentiments the Indian Real Estate Market may not witness a sharp reversal in 2018 but its long term growth prospects remain strong. The sector continues to remain troubled with issues of high unsold inventory, delayed delivery of projects and financial stress on developers. Thus, the broader market opinion is that while the long term story for residential market remains strong; the short term is expected to be sluggish.

Key Rating Strengths

Experience & long track record of promoters: The promoter/director of EIPL, Dr. Navrang Kumar has an overall experience of over 25 years in the real estate sector. He is an architect & civil engineer by qualification & also has a doctorate in real estate. He started as a real estate consultant in 1992 & acquired significant experience of real estate planning, designing, supervising and execution of the projects with in-house technical team, having overseen development/designing of around 46 lsf of built up area in both residential as well as commercial segments.

Another company of the group, Shrishti Buildhome Pvt Ltd, is also engaged in the business of real estate development. In the past, the group has completed two real estate projects; Rock Valley Apartments (1.40 lsf) & Rock Valley Residency (1.55 lsf), both located in Dehradun, Uttarakhand.

Project Approval Status: The company has obtained all the project approvals required for the project including land title registration, building plan, floor plan, layout plan, height clearance and environmental clearance. This reduces the regulatory risk, which otherwise might have caused delays in meeting project timelines.

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

Analytical approach: Standalone

Applicable Criteria

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

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

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated on July 21, 2011, Envyrans Infrastructure Pvt Ltd (EIPL) is a real estate developer based out of Delhi & is promoted by Dr. Navrang Kumar. EIPL is a part of Reinfotech Group. Another company of the group, Shrishti Buildhome Pvt Ltd, is also engaged in the business of real estate development. In the past, the group has completed two real estate projects; Rock Valley Apartments (1.40 Isf) & Rock Valley Residency (1.55 Isf), both located in Dehradun, Uttarakhand.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	0.01	0.46
PBILDT	0.00	0.17
PAT	0.00	0.07
Overall gearing (times)	0.00	0.30
Interest Coverage	1.02	2.58

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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.

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****For detailed Rationale Report and subscription information, please contact us at www.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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

Annexure-1: Details of 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	-	-	December 2022	40.00	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 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	40.00	CARE B+; Stable	-	-	-	-

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