

N. Rose Developers Private Limited

January 31, 2018

Ratings

Facility	Amount (Rs. crore)	Rating ^[1]	Rating Action
Bank Facilities – Fund based – LT – Term Loan	135	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Bank Facilities-Non fund-based - LT-Bank Guarantees	9	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Total facilities	144 (Rs. One Hundred and Forty Four crore only)		

Details of facilities as per Annexure-I

Detailed rating rationale & key rating drivers

The rating assigned to the bank facilities of N.Rose Developers Private Limited (NRDPL) is tempered on account of risk associated with the construction of upcoming residential buildings (Northern Heights) in the project along with requisite approvals pending and achievement of balance financial closure. The rating also takes into account high dependence on customer advances for funding the construction cost, competition from other projects in the vicinity from other well-known developers and cyclicity associated with the real estate industry.

However, the above constraints are partially offset by promoter's vast experience and track record in real estate and construction industry, upcoming location of project within the Mumbai micro-market, positive customer response for the nearing completion stage of other residential sale building (Heaven Plaza).

The ability of NRDPL to timely receive all pending regulatory approvals and tie-up the balance debt and execute the project without any significant time or cost over-run along with sale of balance units at envisaged rates and receive the requisite cash flows as are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience and track record of the promoters

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 the past 25 years. Mr Purohit is a science graduate and has been in the construction industry for more than 20 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. Raju Omprakash Bansal, Mr. Ramjibhai Hirabhai Bharwad, Mr. Pratap Uttam Purohit, 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 the promoters of NRDPL were in the Borivali-Dahisar belt, the builders have a reputation in this location and its vicinity.

Locational advantage 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 diamond industry is also flourishing in this area. 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 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.

Favourable customer response

NRDPL is currently developing residential projects in a total plot area of over 4 lakh ft² at Dahisar, East in Mumbai. The plot of land is owned by Maharashtra Housing and Area Development Authority (MHADA). The project consists of 3 nos.

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

of SRA rehab buildings and 2 nos. of residential buildings for sale. All the 3 rehab buildings have been completed and handed over to its residents. The residential sale building-1 known as “Heaven Plaza” is in nearing stage of completion. The residential sale building-2, known as “Northern Heights”, which comprises of twin 42-storied towers (C-Wing & D-Wing) is expected to be the tallest residential building in Dahisar area. The construction of “Northern Heights” has commenced with slab being laid upto 14th floor in C-Wing and upto 3rd floor in D-Wing. Construction of Northern Heights is expected to be completed by December 2020.

The entity has booked almost all of the flats available for sale in “Heaven Plaza” while for “Northern Heights”, almost 50% of all the available residential flats & commercial spaces have been booked upto October 31, 2017.

Key Rating Weaknesses

Execution risks and regulatory risks

For “Northern Heights”, the company has received only partial approvals (Commencement Certificate upto 17th Floor) and has applied for balance approvals to the concerned regulatory authorities. Given the relatively early stage of construction with all approvals yet to be accorded, risk exists pertaining to timely execution of the project in light of volatility in input prices. Further, the stage-wise disbursements of further tranches of already sanctioned bank term loan are also linked to receipt of further approvals.

High dependency on customer advances and pending financial closure

The total cost of the project is around Rs. 660 crore which is expected to be funded by a mix of promoter funds, external debt and the balance from customer advances. NRDPL has incurred around 52% of the total project cost upto October 31, 2017. With almost 93% of the promoter funds already been infused, there is significant reliance on external debt and on customer advances for funding the balance construction cost. Given the high dependence on customer advances for the project costs (~56%) risk persists related to timely sale of units at envisaged prices. Moreover out of total proposed debt financing of Rs.135 crore, NRDPL has received sanction of only Rs 80 crore and is in process of tie-up of balance Rs.55 crore. Thus timely tie-up of balance funds would be crucial.

Competition from other developers in the vicinity

Since Dahisar (East) is one of the developing localities of the western suburbs of Mumbai, there are plenty of opportunities for redevelopment projects in this locality. Thus significant sales risk also persists due to intense competition from other upcoming residential projects in the vicinity by other well-known developers, catering to similar segment which may be looked upon as an alternative by prospective customers.

Cyclical in real estate industry

The capital-intensive real estate industry is highly cyclical in nature. Though reforms announced recently in real estate sector have been taken in the right direction, the investor’s confidence is yet to pick up. Although the interest rates have declined, buyer sentiments are yet to improve. The major challenges pertaining to clearances, land acquisition, project delay, liquidity issues, slow sales and pile up of inventory, are yet to be addressed for complete recovery of the sector.

Analytical approach: Standalone

Applicable Criteria

[CARE’s criteria on assigning Outlook to Credit Ratings](#)

[CARE’s policy on Default Recognition](#)

[Factoring Linkages in Ratings](#)

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

About the company

N. Rose. Developers Private Ltd. (NRDPL) is a Mumbai based real estate developer which was established in the year 2004 by Mr Narayan Anand Shelar, Mr. Natwarlal Purohit and Mr. Hiren Ashar. NRDPL has been primarily focusing on redevelopment and SRA residential projects in and around Mumbai. NRDPL is currently developing residential projects in a total plot area of over 4 lakh ft² at Dahisar, East in Mumbai.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	0.48	68.01
PBILD	NM	NM
PAT	-0.17	0.47
Overall gearing (times)	7.02	9.17
Interest coverage (times)	1.10	1.12

A-Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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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Annexure-1: Details of Instruments/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	-	-	May 2022 [^]	135.00	CARE BB+; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	9.00	CARE BB+; Stable

[^]for sanctioned facilities of Rs 80 crore. Balance Rs 55 crore is not sanctioned

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	135.00	CARE BB+; Stable	-	-	-	-
2.	Non-fund-based - LT-Bank Guarantees	LT	9.00	CARE BB+; Stable	-	-	-	-

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