

**N. Rose Developers Private Limited**  
 February 13, 2019

**Ratings**

Facility	Amount (Rs. crore)	Ratings <sup>[1]</sup>	Rating Action
Long term bank facilities – Term loan	120	<b>CARE BBB-; Stable (Triple B Minus; Outlook: Stable)</b>	Revised from CARE BB+; Stable(Double B Plus; Outlook: Stable)
<b>Total</b>	<b>120 (Rs. One hundred and twenty crore only)</b>		
Bank Facilities-Non fund-based - LT-Bank Guarantees	-	-	Withdrawn*

*Details of facilities as per Annexure-1*

*\* withdrawn based on NOC received from the bank*

**Detailed rating rationale & key rating drivers**

*The revision in the ratings assigned to the bank facilities of N. Rose Developers Private Limited (NRDPL) factors in the satisfactory construction progress, favorable response from customers and adequacy of resources tied up for balance construction of the upcoming residential building known as “Northern Heights”. The ratings continue to derive strength from promoter’s vast experience and track record in real estate and construction industry, upcoming location of project within the Mumbai micro-market, and improving sales and collection velocity. Further, significant savings in borrowing costs due to refinancing at a lower rate of interest also support the ratings. The ratings however continue to remain tempered on account of requisite approvals pending and execution risks emanating from the project owing to moderate collection of tied-up receivables for funding the balance construction cost and competition from other projects in the vicinity from other well-known developers, constant changes in regulatory regime and overall cyclicity associated with the real estate industry.*

*The ability of NRDPL to timely 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 for debt servicing as are the key rating sensitivities.*

*CARE has withdrawn the rating assigned to the bank guarantees of the company, with immediate effect, at the request of the company for withdrawal of rating assigned by CARE and on receipt of NOC from the bank.*

**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, Mr. Ramjibhai Bharwad and Mr. Hiren Pratap 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. 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***

NRDPL is currently developing residential projects in a total plot area of over 4 lakh ft<sup>2</sup> 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. of SRA rehab buildings and 2 nos. of residential buildings for sale. Two of the rehab buildings have been completed and handed over, whereas the 3<sup>rd</sup> rehab building is under excavation stage currently. The residential sale building-1 known as “Heaven Plaza” is complete and Occupancy Certificate (OC) is expected to be received shortly. 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 total project cost is Rs. 662.26 crore. The residential 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

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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.

#### ***Satisfactory construction progress***

The construction of “Northern Heights” has progressed on track as per the scheduled timelines. NRDPL has incurred 68% of the total construction cost upto December 31, 2018 as compared to approximately 51% during corresponding period last year. Construction of “Northern Heights” is expected to be completed by December 2020 as per RERA and based on the current progress, it is expected to achieve within the deadline. However, construction of the 3<sup>rd</sup> SRA rehab building is under excavation stage and yet to be completed due to certain changes in regulatory norms and management confirms no impact whatsoever on completion of “Northern Heights” in case of delay in construction of the 3<sup>rd</sup> rehab building.

#### ***Favourable response from customers***

The entity has booked all of the flats available for sale in “Heaven Plaza” while for “Northern Heights”, almost 63% of all the available 529 flats have been booked upto December 31, 2018 as compared to around 50% upto the corresponding period last year. Sales velocity seen has been progressing at an average of 4 flats sold each month. Few factors that have helped achieve faster sales include favourable location of project, upcoming infrastructure to boost connectivity, reputation of NRDPL in the area (as most of the past projects executed by NRDPL is in Borivali-Dahisar region), affordable pricing and flat sizes catering to middle income group. The collection status has been average with around 49% collection received for the above booked units. Key challenges for swift collection continue to remain such as relatively stagnant market conditions, time lag between demand raised to customer receipt and delay in disbursement of housing loan.

#### **Key Rating Weaknesses**

##### ***Execution risk exists; albeit considerably mitigated due to tie up of adequate financial resources***

With committed promoter’s funds already infused, balance construction cost of Northern Heights depends upon the undisbursed bank term loan and customer advances. However, visibility exists in terms of financial resources (i.e. balance receivables from already sold flats and undisbursed portion of term loan from bank) available which are adequate for incurring balance project cost of “Northern Heights”, thereby mitigating project execution funding risk to a considerable extent. In view of the moderate collection status seen earlier, ability of NRDPL to speed up collection and ensure timely collection of balance tied up receivables is critical as the entity may face challenges to timely complete the project due to paucity of funds in case there is a further slowdown in collection.

##### ***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.

##### ***Cyclicality 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. 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. The recent liquidity crisis in NBFCs (non-banking finance companies) and HFCs (housing finance companies) affected the real estate sector, as accessing capital from lenders has become a lot tougher. However, with the improvement in macro-economic conditions in the country, the real estate sector is expected to attain a gradual recovery.

#### **Liquidity Analysis**

For completion of construction of the project, as on December 31, 2018 the balance cost to be incurred by NRDPL is Rs. 199.22 crore, whereas receivables from already booked units is Rs. 226.81 crore and undisbursed portion of term loan from bank is Rs. 43.90 crore. The quarterly debt repayment installments commence from June 2020 onwards which provides the entity sufficient time to carry out sale of remaining flats.

**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](#)

[Policy on Withdrawal of ratings](#)
**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 ft<sup>2</sup> at Dahisar, East in Mumbai.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	68.01	12.07
PBILDT	13.56	17.26
PAT	0.47	0.50
Overall gearing (times)	9.17	9.87
Interest coverage (times)	1.12	1.08

*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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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	-	-	September 2022	120.00	CARE BBB-; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	-	Withdrawn

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	120.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (31-Jan-18)	-	-
2.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	1)CARE BB+; Stable (31-Jan-18)	-	-

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