

**Shri Kedareshwar Builders and Developers Private Limited**

July 6, 2017

Rating			
Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	79.88	<b>CARE B+; Stable (Single B Plus; Outlook: Stable)</b>	Assigned
<b>Total</b>	<b>79.88 (Rupees Seventy Nine crore and Eighty Eight lakh only)</b>		

*Details of facilities in Annexure I*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to the long-term bank facilities of Shri Kedareshwar Builders and Developers Private Limited (SKBDPL) is constrained by nascent stage of construction of the projects leading to project execution risk, slow sales momentum on the back of dependence on customer advances for funding the project along with risk of cancellation of the already booked flats due to pending registration of sold units. Furthermore, rating takes into account cyclical nature of real estate industry, competition from other projects in the vicinity, non-receipt of some of the requisite approvals.

The rating derives strength from the long track record and experience of the promoter in real estate development in Nagpur, locational advantage of one of the project located at Ramdaspath Nagpur, escrow mechanism for receipts from projects and maintenance of Debt Service Reserve Account (DSRA).

The ability of the company to carry on construction activities as per scheduled timelines and ensure envisaged sales, thereby enabling timely inflow of the customer receivables are the key rating sensitivities.

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**
***Slow sales momentum***

Till May 31, 2017, sales booking has not commenced at Manewada project whereas Ramdaspath Project is booked only to the extent of 9.10% of the total saleable. Furthermore, the registrations have not been commenced yet.

***High dependence on debt and customer receivables, leading to risk of timely execution of the projects***

Project at Ramdaspath is executed to the extent of 59.16% and project at Manewada executed to the extent of 12.51% as on May 31, 2017. The projects execution is highly dependent on debt and customer advances. Therefore, the achievability of the envisaged bookings going ahead will remain crucial for the timely execution of the project.

***Competition from other projects in the nearby areas***

SKBDPL is executing the project in highly strategic location due to which it faces competition. Therefore, achieving the envisaged sales momentum is crucial for the execution of the project.

***Cyclical nature of the real estate industry***

The company is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals.

***Non receipt of some of approvals and clearances for the projects***

SKBDPL is yet to receive sanction for remaining 14 floors for Ramdaspath project and for remaining 6 floors for Manewada project.

**Key Rating Strengths**
***Experienced promoter group in real estate development***

Promoters have over two decades of experience in residential and commercial real estate development in Nagpur. Promoters executed projects with saleable area of around 20.06 lsf in the past through various group entities.

***Strategic location of one of the key project***

Proximity of Renuka Renaissance (Ramdaspath) project from key locations of Nagpur is expected to enable the company to realize high sales rates.

**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**

SKBDPL was incorporated in November 2014 by Mr Madhav Deshpande and Mr Abhijeet Dudhane who are having more than two decades of experience in the real estate business. The company is engaged in the business of real estate development (residential and commercial projects) mainly in Nagpur.

Presently, SKBDPL is executing two residential projects with total saleable area of 5.16 lakh square feet (lsf). The construction of the project at Ramdaspath (1.81 lsf) commenced in September 2015 which consists of one building with 54 flats is expected to be completed in March 2018, while construction of project at Manewada (3.35 lsf) commenced in April 2017, which consists of one building with 266 flats is expected to be completed in March, 2019.

During FY17 SKBDPL has achieved Total operating income of Rs.7.21 crore (provisional) as against Rs. Nil in FY16. Also PAT during FY17 was Rs.1.66 crore (P.Y.:Nil)

**Status of non-cooperation with previous CRA:** Not Applicable

**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	-	-	January 2022	32.50	CARE B+; Stable
Fund-based - LT-Working Capital Limits	-	-	-	47.38	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	32.50	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Working Capital Limits	LT	47.38	CARE B+; Stable	-	-	-	-

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