

CARE/PRO/RL/2019-20/1099

Mr. Anand Naiknavare
Managing Director
Naiknavare Profile construction Private Limited
1204/4, Ghole Road
Shivaji Nagar, 411004
Pune, Maharashtra

August 06, 2019

Confidential

Dear Sir,

Credit rating for outstanding Non-Convertible Debenture issue

Please refer to your request for rating of long term non-convertible debenture (NCD) issue aggregating to Rs.80.00 crore of your company including proposed NCD of Rs.10 crore. The proposed NCD would have tenure of 2 years 4 months 20 days from deemed date of allotment i.e. August 10, 2019 (as informed by management) with repayment schedule as bullet repayment of Rs.10.00 crore at the end of the tenure.

1. On a review of recent developments including operational and financial performance of your company for FY19 (audited), our Rating Committee has reviewed the following ratings:

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debenture	70.00	CARE C; Stable (Single C; Outlook : Stable)	Reaffirmed
Proposed Non-Convertible Debenture	10.00	CARE C; Stable (Single C; Outlook : Stable)	Assigned
Total	80.00 (Rupee Eighty Crore only)		

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

2. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of this letter (that is August 06, 2019).
3. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.
4. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

5. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
6. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 07, 2019 we will proceed on the basis that you have no any comments to offer.
7. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
8. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating



symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

9. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Uttara Gupta

Analyst

uttara.gupta@careratings.com

Encl.: As above

Yours faithfully,

Leena Marne

Senior Manager

leena.marne@careratings.com

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

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**Annexure
Draft Press Release**

Facilities	Amount (Rs. crore)	Rating	Remarks
Non – Convertible Debentures	70.00	CARE C; Stable (Single C; Outlook : Stable)	Reaffirmed
Proposed Non – Convertible Debentures	10.00	CARE C; Stable (Single C; Outlook : Stable)	Assigned
TOTAL	80.00 (Rupees Eighty Crore only)		

Detailed Rationale & Key Rating Drivers

The rating assigned to the long-term instrument of Naiknavare Profile Constructions Private Limited (NPCPL) continues to take into accounts high project execution risk associated with nascent stage of the project construction, slow execution of project, weak sales momentum, high salability risk of the project, competition from other projects in the nearby areas and cyclical nature of the real estate industry.

However the rating weaknesses are partially offset by strong promoter's background with 3 decades of experience and track record in construction sector.

The rating also factors in the receipt of all the approvals and clearances required for the construction of project and financial assistance received from ASK Real estate fund ("ASK") in the form of NCD. The rating takes a note of full replacement of existing term loan by the NCDs with flexible interest servicing terms.

The ability of the company to timely execute the construction of the project as per the schedule and collect the customer advances as per schedule there by avoiding any cash flow mismatches will be the key rating sensitivity.

Further the ability of the company to generate surplus and pay out the coupon amount as scheduled is a key rating monitorable.

Detailed description of the key rating drivers

Key Rating Weaknesses

High project execution risk associated with nascent stage of the project construction

The construction of Phase -1 and Phase -2 of Avon Vista commenced in August 2016 and April 2018 respectively and is in advance stage of execution. However construction of Phase-3 is yet to begin. The company has incurred ~44% of the total project cost. The remaining project cost is to be incurred through the customer advances. Further, considering repayment of debt (NCD repayment along with Interest) company's ability to sell the remaining unsold inventory and generating surplus will be a key rating sensitivity.

Booking Status (as on January 31, 2019)

Particular	RERA Registration No.	No. of Flats	Flats Booked	%	Start Date	End Date
Phase -1	P52100000371	164	110	67.07%	Aug 16	Dec-20
Phase-2	P52100017914	164	19	11.54%	Apr-18	Sep-21
Phase- 3	-	233	0	-	Oct-18	Dec-21
Total		561	129	23%		

High Salability Risk

The company has already launched Phase-1 and Phase-2 of the project for sale and construction of phase 3 is yet to begin and the management is planning to launch the same in next 2-3 months. The company has unsold units of ~70 % of the total units. Going forward, the ability of the firm to receive customer advances stage wise from the sold units and ability of the firm to sale unsold units and collect the customer advances out of the same at least for as envisaged shall remain key rating sensitivity.

Competition from other projects in the nearby areas

The project is situated at Balewadi, Pune, next to Mumbai Pune Highway, and has all the required social infrastructure including shopping, entertainment, health care, education, IT Park within a short distance and easy reach. Thus making the area very favorable to those in IT companies or offices in these areas as well, thereby leading to the increased competition among various builders within the same vicinity.

Cyclical nature of the industry

The firm 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. In case of real estate companies, the profitability is highly dependent on property markets.

Liquidity

Current ratio as on March 31, 2019 stood at 1.02x as against 2.24x as on March 31, 2018. Further, cash and bank balance as on June 30, 2019 and stood at Rs. 2.85 crore.

Key Rating Strengths

Experienced Promoters

Naiknavare Profile Construction Private Limited (NPCPL) was incorporated in December, 2017 and is spareheaded by Mr. Hemant Naiknavare, Age 58 Years, in the capacity of Chairman. Mr Hemant holds the degree in B.E. (Civil) L.L.B., and has the business experience of more than three decades. He looks after the control of overall operations and policies of the group, his main areas of expertise lies in land acquisition and legal permissions. Mr Hemant is ably supported by Mr. Ranjit Naiknavare, Age 56 Years, graduated with distinction from the Bombay University in 1984 and has obtained MS in Civil Engineering (Structures) from the USA. He currently undertakes the responsibilities of Marketing, Construction and Finance for the group.

Financial Assistance from ASK Real Estate Fund

The Company has raised Rs. 70.00 Cr (O/s Rs. 58.50 crore as on December 31, 2018, remaining amount yet to be disbursed) through Non-convertible Debentures (NCD) issued to ASK Real estate fund ("ASK"). In addition company has raised Rs.10.00 Crore through NCD which are yet to allot on August 10, 2019 as per management discussion. The purpose of raising additional NCD's to requisite resources for expansion of same project "Avon Vista" at Balewadi.

The NCDs have stipulated guaranteed IRR of 16% and maximum IRR of 22%, maturing on December 19, 2021. However, the IRR shall be payable based on availability of surplus cash flows in the project. The amount was used for re-financing NPCPL's existing term loan from Piramal Finance Private Limited and towards funding working capital requirements.

Receipt of the approvals and clearance

As informed by management ,NPCPL has received all the necessary sanction required for the project, including approval on commencement certificate, Fire NOC, Environment clearance, Irrigation and Highway approval, plinth checking approval for the whole project.

Industry Outlook

There has been a marked increase in the number of new apartments launched on a year-on-year basis in Pune. Industry witnessed increase in inventory levels to 40,885 new apartments which is a rise of 64.91% from period June –December of last year. This led to improvement in sales by

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15% for the same period. The demand couldn't translate into a price rise, rates per square foot (psf) continued on the downward trend. The focus towards affordable housing has gathered pace and this has brought down the average per square foot price.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE's methodology for financial ratios- Non Financial Sector

About the Company

Naiknavare Developers Private Limited (NDPL) is developing a residential project through Naiknavare Profile Constructions Private Limited (erstwhile Naiknavare Profile Developers LLP; Project SPV, NPDPL) by the name of Avon Vista at Balewadi, Pune (Project) with total saleable area of 6.14 lakh square ft (lsf). Naiknavare Developers are property builders that have been in the construction business since the past 28 years in Pune.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	2.33	0.24
PBILDT	(0.21)	(6.44)
PAT	(9.25)	(11.63)
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

#Audited, NM- Not Meaningful

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

Disclaimer

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