

CARE/PRO/RL/2018-19/1112

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

March 07, 2019

Confidential

Dear Sir,

Credit rating for Non- Convertible Debenture (NCD) of Rs.70.00 crore

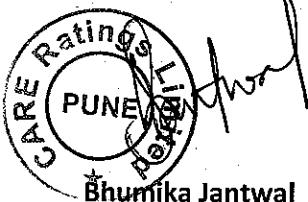
Please refer to our letter dated February 22, 2019, on the above subject.

2. The rationale for the rating is attached as Annexure I.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully



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Encl: As above

Rating Rationale
Naiknavare Profile Constructions Private Limited

Rating

Facilities	Amount (Rs. crore)	Rating	Remarks
Non – Convertible Debentures	70.00	CARE C; Stable (Single C; Outlook : Stable)	Revised from CARE D (Single D)
TOTAL	70.00 (Rupees Seventy Crore only)		

Detailed Rationale & Key Rating Drivers

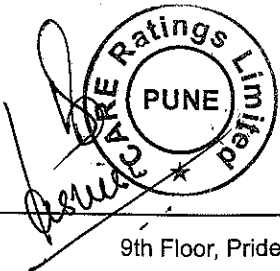
The revision in the rating of the long-term instrument of Naiknavare Profile Constructions Private Limited (NPCPL) takes into account strong promoter's background with 3 decades of experience and track record in construction sector.

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.

However the rating strengths are partially offset by high project execution risk associated with nascent stage of the project construction, high salability risk of the project, competition from other projects in the nearby areas and cyclical nature of the real estate industry.

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

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.

Receipt of the approvals and clearance

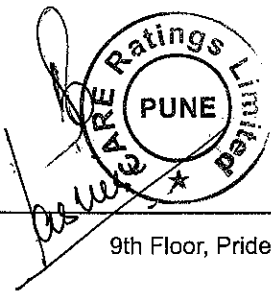
NPCPL has received the necessary sanction including Commencement certificate, Fire NOC, Environmental clearance, Irrigation and Highway approval, plinth checking approval for entire project.

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 total project cost is Rs.318.71 crore and has incurred ~44% of the project cost. The remaining project cost is to be incurred through customer advances of Rs. 166.00 crore. 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.

High Solability 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 by end of May 2019. The company has unsold units of ~70% of the total units. Going forward, the ability of the company to launch the project on time and to receive



stage wise customer advances on time from the sold units and collect the customer advances out of the same as envisaged shall remain key rating sensitivity.

Competition from other projects in the nearby areas

The project is situated at Balewadi, 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. This makes the area very favorable to those in IT companies or offices in the area nearby. Thereby attracting various builders leading to increased competition within the same vicinity.

Cyclical nature of the industry

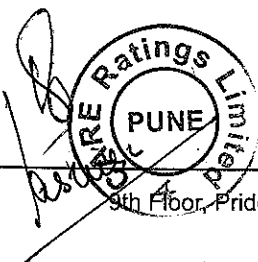
The firm is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets.

Regulatory risks

Real estate projects are prone to varying degrees of uncertainty, both at the macro-level, which affects the economy as a whole and at the sector level. The projects are prone to local, state, and national laws and regulations (governing acquisition, construction and development of land, etc.). Failure to comply with such rules and regulations often lead to delays or in the worst case, complete closure of the project; all of which may lead to a complete or partial loss of capital invested.

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 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. The push towards affordable housing gathered momentum and Pune saw an increase in new launches driven by this segment. New launches in the



budget segment were up by 16 per cent in 2018 compared to 2017 and were up by 21% in the value segment. Together, both these segments (budget and value) constituted 69% of the total new launches. It is estimated that the increase in fresh supply in the affordable segment is a big positive, as more home buyers enter the organized segment they will create a strong foundation for upgrades in the future and thereby creating demand over the long run.

Analytical Approach – Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

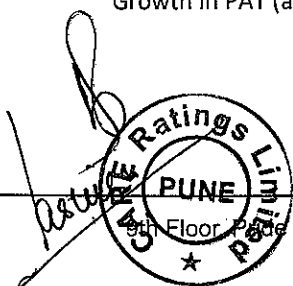
CARE's methodology for financial ratios- Non Financial Sector

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, NPDL) 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.

Financial Performance:

	<i>Rs. Crore</i>			
<i>For the period ended March 31,</i> <i>March 31,</i>	<i>2016</i> <i>(12m,A)</i>	<i>2017</i> <i>(12m,A)</i>	<i>2018</i> <i>(12m,A)</i>	<i>H1FY19</i> <i>(6m,UA)</i>
<u>Working Results</u>				
Total Operating income	2.52	2.05	2.33	12.34
PBILDT	0	-2.93	-0.21	1.96
Interest	0	7.31	8.96	4.07
Depreciation	0	0.04	0.08	1.56
PBT	0	-10.28	-9.25	-3.67
PAT (after deferred tax)	0	-10.28	-9.25	-3.67
Gross Cash Accruals	0	-10.24	-9.17	-2.11
<u>Financial Position</u>				
Equity Share capital	0.01	0.01	0.01	0.01
Net Worth	0.01	-14.55	-24.13	-27.8
Total capital employed	35.27	32.83	38.82	38.64
<u>Key Ratios</u>				
<i>Growth</i>				
Growth in Total income (%)	0.00	(18.56)	13.65	[REDACTED]
Growth in PAT (after D.Tax) (%)	NM	NM	(10.02)	[REDACTED]



<i>Profitability</i>			
PBILDT/Total Op. income (%)	0.01	NM	NM
PAT (after deferred tax)/ Total income (%)	NM	NM	NM
ROCE (%)	NM	NM	NM
Average Cost of borrowing (%)	0	17.69	16.24
<i>Solvency</i>			
Long Term Debt Equity ratio (times)	NM	NM	NM
Overall gearing (including acceptance) (times)	NM	NM	NM
PBILDT / Interest (times)	NM	NM	NM
PBIT / Interest (times)	NM	NM	NM
Term debt/Gross cash accruals (years)	NM	NM	NM
Total debt/Gross cash accruals (years)	NM	NM	NM
<i>Liquidity</i>			
Current ratio (times)	3.69	1.57	2.24
Quick ratio (times)	2.32	0.30	0.67
<i>Turnover</i>			
Average collection period (days)	NM	NM	NM
Average inventory (days)	NM	1532	2220
Average creditors (days)	0	482	512
Operating cycle (days)	0	1050	1708

A: Audited; UA: Un-Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: 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.

*Press Release Date: February 26, 2019

Disclaimer

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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.

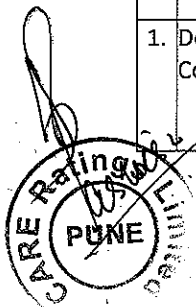
Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	ISIN	Disbursed Amount (in Rs. Cr)	Rate	Maturity Date	Rating assigned along with Rating Outlook
Non-Convertible Debenture	20.12.2017	INE011Z07013	58.50	IRR – 16% - 22% as and when surplus is available	December 19, 2021	CARE C; Stable
Non-Convertible Debenture	09.01.2019	INE011Z07021*	6.00			CARE C; Stable
Non-Convertible Debenture	Proposed		5.50			CARE C; Stable
Total			70.00			

* this ISIN is yet to be listed, ISIN might change in 3-4 months due to procedural issues.

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.	Debentures-Non Convertible Debentures	LT	70.00 (58.50 o/s as on December 31, 2018)	CARE C; Stable	-	1)CARE D; (14-Dec-17)	-	-



ANNEXURE – 3 Details of Rated Instrument

Particulars	ISIN	Disbursed Amount (in Rs. Cr)	Rate	Date	Maturity Date
Non-Convertible Debenture	INE011Z07013	58.50	IRR – 16% - 22% as and when surplus is available	20.12.2017	December 19, 2021
Non-Convertible Debenture	INE011Z07021*	6.00		09.01.2019	
Non-Convertible Debenture		5.50			
Total		70.00			

This ISIN is yet to be listed, ISIN might change in 3-4 months due to procedural issues.

