

No. CARE/PRO/RL/2019-20/1445

Anand Naiknavare
Managing Director
Naiknavare Profile Construction Private Limited
1204/4, Ghole Road
Shivaji Nagar, 411 004
Pune, Maharashtra

January 02, 2020

Confidential

Dear Sir,

Credit rating for outstanding Non-Convertible Debenture issue

On a review of recent developments including operational and financial performance of your company for FY19 (audited) and H1FY20 (unaudited), our Rating Committee has reviewed the following ratings:

Instruments	Amount (Rs. crore)	Rating	Remarks
Non – Convertible Debentures	65.00	CARE C; Stable (Single C; Outlook : Stable)	Reaffirmed
Non – Convertible Debentures	10.00	CARE C; Stable (Single C; Outlook : Stable)	Reaffirmed
TOTAL	75.00 (Rupees Seventy Five Crore only)		

- The NCDs are repayable on December 19, 2021.
- 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 January 03, 2020, we will proceed on the basis that you have no any comments to offer.



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4. 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.
5. 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.
6. 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.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to buy, sell, or hold any securities.



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If you need any clarification, you are welcome to approach us in this regard.

Thanking you,



Uttara Gupta
Analyst
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Yours faithfully,



Monika Goenka
Senior Manager
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Encl.: As above

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Annexure Press Release

Ratings

Facilities	Amount (Rs. crore)	Rating	Remarks
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Detailed Rationale & Key Rating Drivers

The reaffirmation of 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.

Positive Factor

Sustained improvement in projects execution and financial risk profile

Negative Factor

Delay/default in redemption of NCDs

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 nascent stage of execution. Construction of Phase-3 is yet to begin. The company has incurred ~35% of the total project cost as on Dec 20, 2019. The remaining project cost is to be funded from customer advances. Further, considering repayment of debt

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(NCD repayment along with Interest) company's ability to sell the remaining unsold inventory and generating surplus is critical.

High Salability Risk

The company has already launched Phase-1 and Phase-2 of the project for sale, construction of phase 3 is yet to begin and the management is planning to launch the same by April 2020. The company has 42.81% unsold units in aggregate of Phase 1 & phase 2. Going forward, the ability of the firm to receive customer advances stage wise from the sold units and ability of the firm to sell unsold units and collect the customer advances out of the same 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.

Key Rating Strengths

Experienced Promoters

Naiknavare Profile Construction Private Limited (NPCPL) was incorporated in December, 2017 and is spearheaded by Mr. Hemant Naiknavare. 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, 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. Mr. Anand Naiknavare looks after the day to day operations of NPCPL.

Financial Assistance from ASK Real Estate Fund

The Company has raised Rs.80.00 Crore (O/s Rs. 75.00 crore as on December 20, 2019) through Non-convertible Debentures (NCD) issued to ASK Real estate fund (ASK). The purpose of raising additional NCDs is 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.



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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

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.

Liquidity -Stretched: 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 September 30, 2019 stood at Rs.9.01 crore. The projects of the company are slow moving and there exists high risk of salability of the remaining units under the ongoing projects. Hence the ability of the company to timely execute the construction of the project and collect the customer advances as per schedule there by avoiding any cash flow mismatches is critical and monitorable.

Industry Outlook

Cyclical nature 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.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Rating

CARE's Policy on Default Recognition

Financial Ratios-Non Financial Sectors

About the Company

Naiknavare Developers Private Limited (NDPL) belonging to Naiknavare Group is developing a residential project through Naiknavare Profile Constructions Private Limited (NPCPL, erstwhile Naiknavare Profile Developers LLP) by the name of Avon Vista at Balewadi, Pune (Project) with total saleable area of 7.62 lakh square ft (lsf). Naiknavare group is engaged in real estate construction business since the past 28 years in Pune.



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Brief Financials (Rs. crore)#	FY18 (A)	FY19(A)	H1FY20 (UA)
Total operating income	2.33	0.23	0.02
PBILDT	(0.21)	(3.76)	(1.47)
PAT	(9.25)	(11.64)	(5.62)
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

#A: Audited, UA: Unaudited NM- Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

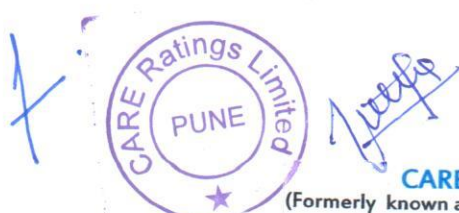
Rating History for last three years: Please refer Annexure-2

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
Debentures-Non Convertible Debentures	December 20, 2017	16%-22%	19-12-2021	65.00	CARE C; Stable
Debentures-Non Convertible Debentures	August 10, 2019	16%	19-12-2021	10.00	CARE C; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	65.00	CARE C; Stable	1)CARE C; Stable (09-Aug-19)	1)CARE C; Stable (26-Feb-19)	1)CARE D (14-Dec-17)	-
2.	Debentures-Non Convertible Debentures	LT	10.00	CARE C; Stable	1)CARE C; Stable (09-Aug-19)	-	-	-



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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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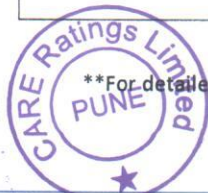
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