



Press Release

Eknath Infrastructure LLP

April 28, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Facility – Drop Line Overdraft	25.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Long Term Facility – Term Loan	260.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
	Total	285.00		

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from Experienced promoters and long track record (Projects completed in past by Partners), Strategic Location of the project with major necessary approvals in place, Corporate Backing of Naman Developers and Profitable agreement amongst partners. However, these strengths are, partially offset by Contingency with respect to saleability of flats, Deferment of sales can lead to slower booking depending upon market condition and Nature of real estate industry subject to regulations and uncertainty of timelines due to COVID - 19.

Key Rating Sensitivities

Upward rating factor(s) –

Scheduled progress of the project along with scheduled sale of flats leading to adequate cash flow generation.



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Downward rating factor(s) –

Any time & cost overrun, slower than expected sales and/or adverse changes in regulatory requirement leading to lower generation of cash flows

List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters and long track record (Projects completed in past by Partners)

Shree Naman Developers Private Limited is a major partner in Eknath Infrastructure LLP. They have businesses in various segments and have completed various projects of real estate. They have been operating since 1993. Suchita Shah (a partner in Eknath Infrastructure LLP) holds experience of more than 20 years. Total saleable area constructed till date by Naman Developers has been over 18 million square feet.

The major projects of Naman Developers have been Shree Naman Towers (Residential), Shree Naman Plaza (Residential), Saarthi (Residential), Naman Centre and Naman Chambers (Commercial), Naman Corporate Link (Commercial), Naman Midtown. Majority of the projects are located in and around Mumbai.

Strategic Location of the project with all necessary approvals

Matunga being at the center of the city with all facilities that are required in day to day life is one of the key areas to live in the city of Mumbai. With hospitals, schools, praying areas, market areas, sports areas and various eateries nearby the project making it an ideal living place. The Wadala Mono rail station, Eastern Freeway, Business District of Lower Parel, Bandra-Kurla Complex and the Airports are in close proximity from the site.

Corporate Backing of Naman Developers

Shree Naman Developers Private Limited has backed Eknath Infrastructure on the basis of an unconditional and irrevocable corporate guarantee. There is a Personal Guarantee of Mr. Jayesh Shah (Chairman and Managing Director of Naman Developers Private Limited).



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Profitable agreement amongst partners

Eknath Infrastructure is an EPC contractor for the particular project. The land belongs to Firstwave Developers LLP. The agreement is on Cost plus 20% fees basis incurred by the EPC Contractor (Eknath Infrastructure LLP) which shall be paid by the owner.

Marketing and Sales of the flats will be the responsibility of Naman Developers. In order to safeguard Contractor's fee payable to the EPC Contractor, the money from the sale of the flats will be deposited to the RERA designated account and an escrow account at lending bank, the banker for the term loan, which are jointly operated by the owner (Firstwave Developers) and the EPC contractor (Eknath Infrastructure LLP) and the amount lying in the account shall only be withdrawn as per the escrow agreement between all the parties involved. The contract includes monthly payment to the EPC Contractor, Eknath Infrastructure LLP.

Key Rating Weaknesses

Contingency with respect to salability of flats

According to firm, as on December, 2019, the construction of the sale plinth area has been ~45% completed. Even though the construction seems to go in time and the firm has its projections in mind, yet salability of the flats remains to be discovered as on date. In consideration of the work rendered by the EPC contract under the agreement entirely at its cost, charges and expenses, the owner has agreed to pay the Contractor's fees to the EPC Contractor from the gross sales realization of the project.

Deferment of sales can lead to slower booking depending upon market condition

The firm has got parties asking them about the project however, the potential customers are currently not being tapped as the firm believes that it will have more bargaining power over the customers after a considerable amount of construction has been completed. This can lead to cash flow mismatch arising out of slower booking at that point of time due to feeble market sentiments.



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Nature of real estate industry subject to regulations and uncertainty of timelines due to COVID - 19

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The central law RERA provided the basic framework of consumer protection in real estate transactions: raising disclosure requirements of builders, bridging existing information asymmetry between buyers and builders, and ring-fencing the money paid upfront by buyers. COVID – 19 seems to pose a threat to the expected timeline of the project, resulting in a potential liquidity crunch in the market.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for real estate companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity - Adequate

The Company's sales are expected to rise with an increase in the number of sold flats. The company maintains moderate cash and bank balance to meet its liquidity requirements, thus indicating **Adequate** liquidity position of the company in meeting its debt obligations.

About the Firm

Eknath Infrastructure LLP is a Limited Liability Partnership firm incorporated on 5th July, 2016 for the purpose of building a residential project called 'Mahavir Ville'. The designated partners for Eknath Infrastructure LLP are Suchita Shah and Shree Naman Developers Private Limited. The designated office is at Naman Centre, Plot No. C-31, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051. Shree Naman Developers Private Limited has over two decades of experience the real estate industry, the group has executed several big projects since inception.



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About the Project

Eknath Infrastructure LLP was primarily formed for the purpose of building of the residential complex of Mahavir Ville which is at a short distance from Matunga Railway Station, Mumbai, Maharashtra.. Wing A and Wing B are for the rehabilitants of the existing residents of the area. Wing C includes building 3 to 5 bhk flats in a 41 storied (18 currently permitted) building with effective car parking space and various multi-complex building amenities such as swimming pool, lawns, games room and so on.

The floor area of the project is 5560 square meters. The sale building (residential saleable flats – Wing C) has 115 independent units available for sale, the total RERA carpet area available for sale in the market is 1,59,568 square feet. As per the RERA the project completion date is by June 2024.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount sanctioned/outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Long Term Fund Based Facility – Drop Line Overdraft	Long Term	25.00	IVR BBB-/ Stable outlook	-	-	-
2	Long Term Facility – Term Loan	Long Term	260.00	IVR BBB-/ Stable outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Drop Line Overdraft	--	--	--	25.00	IVR BBB-/Stable Outlook
Term Loan	--	--	September, 2023	260.00	IVR BBB-/Stable Outlook