



## Press Release

**Shree Naman Developers Private Limited**

**December 01, 2022**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	70.87	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
<b>Total</b>	<b>70.87</b> <b>(Rupees Seventy Crore and Eighty Seven Lakhs Only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of Shree Naman Developers Private Limited (SNDPL) derived strength from experienced promoters along with team of management and sustained track record of group, location advantage, and power purchase agreement with Maharashtra State Electricity Distribution Company Limited (MSEDCL) and long track record of operations. The ratings however constrained by Modest project execution and saleability risk, moderate sales risk, geographically concentrated revenues, leverage capital structure and cyclical nature of the real estate industry, subject to regulations.

### Key Rating Sensitivities:

#### Upward Factors

- Completion of Project within stipulated cost
- Ability to book balance flats at envisage rate and receive the committed receivables as envisaged leading to timely completion of projects and adequate cash flow generation, leading to strong liquidity position

#### Downward Factors

- SNDPL fails to receive balance regulatory approvals within the time period, which leads to delay in execution of projects



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- Achievement of Lower than anticipated collections on a quarterly basis leading to higher reliance on debt and increased project funding and execution risk for ongoing projects
- Any time & cost overrun and slower than expected sales
- Adverse changes in regulatory requirement

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters along with team of management and sustained track record of group**

The company is promoted by Mr. Jayesh Shah. The promoters have combined experience of over three decades in the real-estate industry. Further the promoters have supported by the experience key managerial persons having extensive experience in executing real estate projects. The company is the part of Shree Naman Group which is primarily engaged in real estate development and has shown track record of successfully constructing various projects in past decades, further apart from real estate the group is present in Hospitality, Energy and Hospital verticals and Financials Services. As on date, they have successfully completed various projects which are a mix of commercial and residential projects along with several other projects on-going and are in pipeline. SNDPL shall continue benefiting from its promoters' and management personnel's industry experience and the group have experienced key management team to carry out the day-to-day operations.

- **Location advantage**

SNDPL's projects are located in prime location of Andheri, Mumbai, being well established residential location and are well connected through railways, metro and roadways with proximity to various commercial offices, schools, colleges, markets, leisure places and other day to day necessities. Moreover, Andheri East is adjacent to Chhatrapati Shivaji International Airport, which can be reached within 15 minutes.

- **Power purchase agreement with Maharashtra State Electricity Distribution Company Limited (MSEDCL) and long track record of operations**



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The company had diversified its business into wind power project under the Clean Development Mechanism (CDM) of Kyoto Protocol and installed 27 wind turbines which has been utilized for the generation of 29.25 MW power projects located at Nashik (10.50 MW), Sangali (16.50 MW) and Satara (2.25 MW) and had signed power purchase agreement with Maharashtra State Electricity Distribution Company Limited (MSEDCL). The Company has a long-term Power purchase agreement with MSEDCL for a period of 13 years. The PPA contract was signed in FY2008 and had expired in September FY2021, However, as per the Company the PPA is expected to be renewed within the timeline. The Current prevailing tariff rate is Rs.2.52 per unit. There is an escrow mechanism to ensure adjustment of cash flow from PPA for repayment of loans being rated.

### Key Rating Weaknesses

- **Modest project execution and saleability risk**

SNDPL is currently executing two projects (namely Shree Naman Habitat and Shree Naman Premier) with total saleable area of 5,89,856 sq. ft. located at Andheri, Mumbai. Further on combined basis total project cost for two projects remained at Rs.1059.68 crore, out of which Rs.692.66 crore (~65%) has been incurred till March 31, 2022 through owned funds of Rs.112.15 crore, borrowings (NCD) of Rs.417.76 crore, and balance through customer advances. Further, till March 31, 2022 SNDPL had booked 218 units (73 in Habitat and 145 in Premier) with saleable area of 1,66,326 Sq. ft. and received customer advances of Rs.162.75 crore and customer advances amounting to Rs.132.78 crore is to be received from the flats booked. Thus, company is majorly dependant on advances from customers. So, if the entity unable to received timely advances as envisage from the customer, then cash flow will be impacted, which might lead to delay in project execution which is key monitorable. However, SNDPL has received commencement certificate (CC) for all the sanctioned floors of all ongoing projects and construction activity is completed around 80-85% for both the products. Thus, the ability to complete the construction work in timely manner is critical from credit perspective.

- **Moderate sales risk**

Of the ongoing projects out of total developed 648 units, SNDPL has book 218 units till March 31, 2022 and received customer advances of Rs.162.75 crore and balance



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Rs.132.78 crore is yet to be received. Considering the current sales momentum, the company may take around 1-2 years to sell off its inventory of the launched projects, which may be considered as moderate. Moreover, the company plans to launch the projects at aggressive pricing to attract buyers. Besides, significant presence of the Shree Naman Group in the Mumbai region may also help the company. However, with changing consumer preferences towards completed projects/ near completion projects ability of the company to generate envisaged sales momentum will remain a key rating monitorable.

- **Geographically concentrated revenues**

The company is executing all projects which are located in Mumbai, region account for 100% of the total saleable area resulting in significant geographical concentration. Any downturn in these micro markets may impact the cash flows adversely.

- **Leverage capital structure**

The capital structure of the SNDPL remained leveraged owing to higher dependence on external debt coupled with modest networth base, further despite increase in debt level due to increase in loans and advances from relatives, the capital structure has remained stable at 2.01 times as on March 31, 2022 (vis-à-vis 2.09 times as on March 31, 2021) primarily on account of increase in reserves and surplus leading to improvement in net worth base.

- **Cyclical nature of the real estate industry, subject to regulations**

The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The sector is also subject to multiple regulatory approvals from respective authorities; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Real Estate Entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

**Liquidity – Adequate**

The company maintains moderate cash and bank balance to meet its liquidity requirements. The liquidity position looks adequate with the cash cover above unity over FY23-FY25. Apart from this the company has investment in Equity Shares, Preference Shares and fixed deposit amounting to Rs.81.56 crore as on March 31, 2022. Further the company has already received customer advances amounting to Rs.162.75 till March 31, 2022 and customer advances yet to be receive amounting to Rs.132.78 crore from the sold inventory. Further the company has cushion of un-disbursed amount of Rs.82.24 crore against Naman Premier project. Thus, the overall liquidity position of the company is **Adequate**.

**About the Company**

Shree Naman Developers Private Limited (SNDPL) is the flagship company of Shree Naman Group. The group has been associated with real estate development since 1993. The group is present in Realty, Hospitality, Energy and Hospital verticals and Financials Services. SNDPL has completed several high value premium residential projects namely Shree Naman Towers, Shree Naman Plaza, Saarthi and Naman Residency, also completed various commercial projects namely Naman Center, Naman Corporate Link, Naman Chambers, Trent House and Naman Midtown etc. Further Shree Naman Group has developed around 15 lakh sq. ft. total saleable area of residential (mainly 1/2/3 BHK towers) and commercial (mainly offices, showrooms and retail shops) projects, spread in Mumbai.

Mr. Jayesh Shah is the promoter and Chairman of Naman Group. Further Mr. Shah is the founder member and President of BKC Property Owners Association and a founder member and Vice President of Property Redevelopers Association (PRA).





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SNDPL is currently executing two projects namely Shree Naman Habitat and Shree Naman Premier are located at Mumbai region. In the Habitat project includes commercial as well as residential units and in Premier project there is only residential units having mixed unit composition of 1 BHK, 2 BHK & 3 BHK flats, with total saleable area of 5,89,856 square feet.

### Financials (Standalone)\*:

(Rs. Crore)		
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Provisional)
Total Operating Income	16.63	23.65
EBITDA	-7.11	8.26
PAT	47.86	30.40
Total Debt	1376.92	1431.62
Adjusted Tangible Net worth	660.33	696.20
EBITDA Margin (%)	-42.72	34.91
PAT Margin (%)	32.97	40.85
Adjusted Overall Gearing Ratio (times)	2.09	2.06

\*Classification as per Infomerics standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings India Private Limited in its press release dated March 31, 2022 has downgrade the ratings for bank loan facilities of SNDPL and migrated under Issuer Not Cooperating category.

**Any other information:** None

### Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Rupee Term Loan	Long Term	70.87	IVR BBB- / Stable	—	—	—



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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Rupee Term Loan	–	–	March, 2026	70.87	IVR BBB- / Stable



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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-SNDPL-dec22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).

