



## Press Release

### Shree Naman Developers Private Limited (SNDPL)

August 23, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.09 (decreased from 44.50)	IVR B+/Stable (IVR Single B plus with stable outlook)	IVR D	Upgraded and Outlook assigned	<a href="#">Simple</a>
<b>Total</b>	<b>35.09 (Rupees Thirty-Five Crore and Nine Lakh Only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics has upgraded its rating, and assigned stable outlook to the bank facilities of SNDPL reflects regular repayment of term loan instalments since 01<sup>st</sup> March 2024, the ratings continue to derive strengths from its capability to sell power through open access route, location advantage, experienced promoters along with team of management and sustained track record. However, these rating strengths are partially constraint by modest project execution and saleability risk, moderate sales risk, geographically concentrated revenues, leverage capital structure, cyclical nature of the real estate industry, subject to regulations.

The outlook is "Stable" due to SNDPL's continued advantage from its experienced management team and strong net worth over the medium term.

#### 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.



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### **Downward Factors**

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

##### **Sell of power through open access route:**

SNDPL's was selling power to Adani Power Limited and Tata Power Limited, post expiring of Power Purchase Agreement (PPA), MSEDCL has allowed SNDPL to sell power through open access route. SNDPL is selling power at Rs. 2.70 per unit as against existing rate Rs.2.55 per unit. According to the Management they are receiving timely payments within 45 days of invoices when they sell power through open access route as against 100 days when they sell it to Adani Power Limited and Tata Power Limited. This helps SNDPL to reduce their working capital requirements.,

##### **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.



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### **Experienced Promoters along with team of management and sustained track record**

The company is promoted by Mr. Jayesh Shah, Mr. Alpesh Gandhi and Mr. Priyadarshi Mehta. 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.

### **Key Rating Weaknesses**

#### **Modest project execution and saleability risk**

SNDPL is executing two projects (namely Shree Naman Habitat and Shree Naman Premier) with total saleable area of 5.90 sq. ft. in Andheri, Mumbai, with a total project cost of Rs.1119.62 crore, of which it has already incurred Rs.1009.33 crore till March 2024, which was financed through owned funds (22.26%), borrowings (36.67%), and customer advances (41.02%). SNDPL has received occupancy certificate (OC) for Naman Premier and applied for Naman Habitat. SNDPL is majorly dependant on advances from customers. Thus, any delay in receipt of timely advances as envisaged from the customer will impact the cash flows and ultimately leads to delay in project execution which is key monitorable.

#### **Moderate sales risk**

Till March 2024, SNDPL has sold 401 units with 2.38 lakhs sq. ft. saleable area and received customer advances of Rs.484.06 crore and Rs.106.49 crore yet to be received against sold inventory. Further for balance unsold inventory of 247 units with 3.51 lakhs sq. ft. saleable area, expected to receive Rs.1002.81 crore with average selling price of Rs.28,157.87 per sq. ft. The company plans to sell off its launched projects in 1-2 years, with aggressive pricing and



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a significant presence in Mumbai. However, the company's ability to generate sales momentum will be monitored due to changing consumer preferences.

### **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**

Despite healthy adjusted net worth base of Rs. 570.28 crore in FY24(P) (FY23: Rs. 619.26 crore), SNDPL's capital structure yet remained leveraged owing to higher dependence on external debt. Further capital structure marked by overall gearing & TOL/ATNW has deteriorated and stood at 3.12x and 4.03x in FY24(P) respectively as against 2.90x and 3.90x in FY23 due to increase in loans from the related parties.

### **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.

**Analytical Approach:** Standalone



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### **Applicable Criteria:**

[Policy on Default Recognition and post default curing period](#)

[Criteria for assigning rating outlook](#)

[Rating Methodology for Real Estate Entities](#)

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

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Stretched**

SNDPL has large repayments of Rs.412.43 crore during FY25 and Infomerics expects SNDPL cash flows are expected to be lower as against these repayments. As informed by the management, any shortfall in cash flows will meet through unsecured loans. As on 31<sup>st</sup> March 2024, SNDPL had cash and bank balance of Rs.70.84 crore.

### **About the Company**

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 Centre, 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.



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### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	110.29	136.27
EBITDA	13.94	16.48
PAT	-6.35	12.19
Total Debt	1795.66	1778.61
Adjusted Tangible Net Worth	619.26	570.28
EBITDA Margin (%)	12.64	12.10
PAT Margin (%)	-3.85	8.02
Overall Gearing Ratio (x)	2.90	3.12
Interest Coverage (x)	0.27	1.38

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Brickworks Ratings has continued to classify the bank facilities under the ISSUER NOT CO-OPERATING category on account of non – availability of information vide it's press release dated on May 29, 2024.

### Any other information:

#### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(February 05, 2024)	(December 01, 2022)	
1.	Rupee Term Loan	Long Term	35.09	IVR B+/Stable	IVR D	IVR BBB-/Stable	--

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Rupee Term Loan	--	--	--	March 2026	35.09	IVR B+/Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ShreeNaman-aug24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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).