Press Release

Neepa Real Estates Private Limited

August 25, 2023

The revised press release is provided in relation to the Press Release published dated June 29, 2021.

The revised press release mentions the following:

- Detailed explanation of covenants of the rated instrument/facilities

Link to the press release dated June 29, 2021, published on Infomerics' website:

https://www.infomerics.com/admin/uploads/pr-neepa-realestates-june29-2021.pdf

Rating

Facilities	**Amount (Rs. crore)**	**Ratings**	**Rating Action**
Long term Facility – Non Convertible Debenture (NCD)	72.67 (reduced from Rs. 100.00 crore)	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	**Re-affirmed**
Total	**72.67 (Seventy Two Crore and sixty seven lakhs)**		

Details of Facilities are in Annexure I

Detailed Rationale

The rating continues to derive strength from experienced promoters along with an extensive and credible track record of the group (projects completed in past by promoters), strategic location and strong partnership. However, the rating strengths are partially offset by chance of time and cost overrun, susceptibility to cyclicity inherent in the real estate sector.

Key Rating Sensitivities

Upward rating factor(s) –

Scheduled progress of the project and sale of flats leading to adequate cash flow generation may lead to a positive rating action

Downward rating factor(s) –

Any delay in scheduled progress due to company specific or external factor and/or slower than expected sale of flats may lead to a negative rating action

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters along with an extensive and credible track record of the group (projects completed in past by promoters)

Promoters of the company had a long track record of more than two decades in the real estate sector. The promoters are supported by a team a qualified & experienced management. The group to which the company's promoters are common have an extensive track record of multiple projects throughout the years.

Strategic location

The location of Marol, in Andheri East is one of the prime locations for hospitals, educational institutes, recreational activities and many other required amenities. The road connectivity throughout the area is good.

Strong partnership

The company has partnered with The Design Architects - P&T Consultants Private Limited (Singapore) and The Landscape Designer - Sitetectonix Private Limited (Singapore). Thus, the partners are credible, and the construction may avoid any time and cost overrun.

Key Rating Weaknesses

Chance of time and cost overrun

Even though all precautions and steps are taken by the company to avoid time and cost overrun, there is always a scope of such a happening due to unforeseen circumstances.

However, the company has picked up on any time and cost overrun that might have occurred due to the lockdown scenario of the COVID-19 pandemic.

Susceptibility to cyclicity inherent in the real estate sector

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 uncertainty pertaining around COVID-19 and its potential subsequent waves and lockdowns also has denied the demand for commercial as well as residential real estate properties.

Analytical Approach: Standalone Approach

Applicable Criteria

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Stretched

The company maintains moderate cash and bank balance to meet its liquidity requirements. The projected DSCR is in moderate territory. Any delay or slow down in the sales is expected to put pressure on the cash flows of the company. The overall liquidity position of the company is **Stretched.**

About the Group and the Company

Sheth Group is engaged in Real Estate Development in the Central and Western suburbs of the Northern side of Mumbai, the financial Capital of India. The group has approx. 33 years of experience in building landmarks in the Real Estate industry across Mumbai. The Group consists of Mr. Jitendra Sheth, and Mr. Vallabh Sheth as their leaders. Neepa Real Estates Pvt. Ltd. NREPL was incorporated in 22nd December, 1992. The company is in the process of building a residential complex in Andheri East, called Vasant Oasis, a fully integrated residential township, which would be the company's first project.

About the Project - Vasant Oasis (Borosil Plot), is at Makwana Road, Off Andheri Kurla Road, Marol, Andheri (E), Mumbai-400 059. The size of the plot taken by the developers to build the 31.60 lakh square feet project is about 18 acres. The project consists of 20 towers, wherein 18 towers comprise of 22 stories each. The total estimated cost to be incurred for the project is Rs. 427.00 crores. As on date, around 23.25 lakh square feet has been sold and around 8.34 lakh square feet remains to be sold.

Financials (Standalone): **(INR Crore)**

For the year ended* / As on	31-03-2019	31-03-2020
	(Audited)	(Audited)
Total Operating Income	365.02	359.94
EBITDA	76.84	16.63
PAT	-89.41	-116.11
Total Debt	2064.92	2125.60
Tangible Net worth (Book Value)	-83.86	-200.30
EBIDTA Margin (%)	21.05	4.62
PAT Margin (%)	-24.23	-31.86
Overall Gearing Ratio (x)	39.94	8.85

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (June 04, 2020 and April 02, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long term Facilities – Non-Convertible Debenture	Long Term	72.67	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	IVR BB/ Stable Outlook (IVR Double B		

					with 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:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure I: Details of Facilities

Sl. No.	Instrument/Facility	Limit (INR Crore)	Coupon Rate	Maturity	Rating
1			15% p.a. (Upto March 31, 2021)		

	Non-Convertible Debenture (NCD)	72.67	16% p.a. (April 1, 2021 until March 31, 2022)	Until December 31, 2024#	IVR BB/ Stable (IVR Double B with Stable Outlook)
			18% p.a. (April 1, 2022 onwards)		
	Total	**72.67**			

 # Subject to Rs.10 Lakhs to be paid immediately after Junior NCDs are paid in full i.e. 31st March 2027

Detailed explanation of covenants of the rated instrument/facilities:

The Issuer shall (and shall procure that each other Obligor will) carry out and conduct its business with due diligence and efficiency and in accordance with sound managerial and financial standards and business practices with experienced management and personnel.

The Issuer shall (and shall procure that each other Obligor will) (A) do all such things as are necessary to maintain its corporate existence or under the laws of its jurisdiction of incorporation, (B) ensure that it has the right and is duly qualified to conduct its business as it is conducted in applicable jurisdictions, (C) engage in business which is permitted by its Memorandum and Articles and (D) comply in all respects with all Applicable Laws.

The Issuer shall not (and shall procure that no other Obligor will voluntarily do or permit to be done any act or thing whereby its right to transact its business shall be terminated or whereby payment of any of the Debenture Obligations or any other amounts under the NCDs shall be hindered delayed.

Until the Final Settlement Date, the Issuer shall ensure that:

(A) it does not qualify as an NBFC and/or a CIC; and

(B) its financial assets are not more than 50% of its total assets (netted off by intangible assets) and income from its financial assets is not greater than 50% of its gross income.

The Issuer shall (and shall procure that each other Obligor will) appoint an Approved Auditor as their respective statutory auditors for the Financial Year ending March 31, 2020 and for all Financial Years thereafter.