

June 30, 2020

Nish Developers Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	225.75	225.75	[ICRA]BBB+ (Stable); Reaffirmed
Total	225.75	225.75	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation favourably factors in the healthy project execution as reflected in completion of construction and receipt of occupancy certificate (OC) for both the buildings of Nish Developers Private Limited (NDPL). The second building, Avighna IX, has received the OC in January 2020. The rating continues to draw support from the adequate liquidity available with the company with surplus cash of ~Rs. 176 crore parked as fixed deposit (FD) as of March 2020.

The rating, however, is constrained by NDPL's exposure to industry and market risks as the unsold area for the company stands at ~33% as of March 2020, despite the first tower getting completed in April 2017 and the second one in Jan 2020. The sales velocity in FY2020 was slower than earlier estimated, primarily for One Avighna Park, due to slowdown in economic environment and the resultant weak market sentiments. One Avighna Park, which has high ticket size units, is more vulnerable in the current market. The risk is further accentuated by the Covid-19 pandemic as the sales have been significantly impacted in Q1 FY2021 and the velocity is expected to remain subdued in FY2021. Also, in absence of any material committed receivables from earlier sales, the company remains highly dependent on fresh sales to generate cashflows for meeting operational/construction expenses as well as debt servicing requirements. The projects will continue to face stiff competition from the other established developers in the micro-market. The rating remains constrained by the structure of NCDs which has a bullet repayment in FY2023. Although the company has FDs worth ~Rs. 176 crore as of March 2020; in absence of any structural earmarking of the FDs, the debt repayment hinges on strict financial discipline from the company to maintain adequate liquidity to meet the debt servicing requirements in a timely manner. The rating is constrained by geographical and asset concentration risk, which is inherent in single project companies.

The Stable outlook reflects ICRA's belief that NDPL will continue to generate adequate cash flows from the sale of finished inventory.

Key rating drivers and their description

Credit strengths

Low project execution risk – The first tower of the project, One Avighna Park, was completed in April 2017, while the second tower, Avighna IX, received OC in January 2020. This eliminates the project execution risk for the company, as construction work on both the buildings had been completed. The project timeline and cost remain in line with estimates.

Adequate sales and collection status – The company sold 71% of the total carpet area of 4.49 lakh sq. ft. of One Avighna Park and 54% of total carpet area of 1.64 lakh sq. ft. of Avighna IX as of March 2020. Overall, the sales progress is ~67% of total area sold as on March 2020. NDPL has also been able to collect 100% of the demand raised till March 2020.

Adequate liquidity profile – The company has a surplus cash of Rs. 176 crore parked as fixed deposit as of March 2020, which underpins its liquidity profile.

Credit challenges

Vulnerable to industry and market risks – The company's total unsold carpet area stood at 2.02 lakh sq. ft. (1.27 lakh sq. ft. at One Avighna Park and 0.75 lakh sq. ft. at Avighna IX building) as of March 2020 despite having completed the first tower in April 2017 and the second one in Jan 2020. Considering One Avighna Park is an ultra-premium project and faces stiff competition in the micro-market, the exposure to sales risk remains high. Its sales velocity was lower than earlier estimates in FY2020 due to weak market sentiments. In absence of any material committed receivables from earlier sales, the company remains highly dependent on fresh sales to generate cashflows for meeting operational and construction expenses as well as debt servicing requirements. Years-to-sell for One Avighna Park stood high at ~8.5 years while the same for Avighna IX stands at around two years as of March 2020. The risks might get exacerbated owing to the impact of the Covid-19 pandemic on its sales and collections. The sales have been affected significantly in Q1 FY2021 and the trajectory is expected to remain subdued in the remaining nine months. Further, the collections might be impacted on account of possible weakness in the financial profile of the prospective buyers. The company has sizeable share of self-funded buyers and those might get severely impacted by the pandemic.

Dependence on strict financial discipline for timely debt repayments – The company incurred most of the construction cost and only ~Rs. 60 crore cost (including interest on the NCDs) remained pending as of March 2020. The NCD of Rs. 225.7 crore will be due for bullet repayment in May 2022. Although the company has FDs worth ~Rs. 176 crore as of March 2020; in absence of any structural earmarking of the FDs, the debt repayment hinges on strict financial discipline from the company to maintain adequate liquidity to meet the debt servicing requirements in a timely manner. Going forward, timely sales and collections of customer advances and building up sufficient reserves for debt repayment will be essential.

High geographical and asset concentration risks – The company is undertaking a single project in Lower Parel, Mumbai. Thus, it is exposed to high geographical and asset concentration risks, which is inherent in single project companies.

Exposed to risk related to materialisation of contingent liabilities – The contingent liabilities related to income tax stood at Rs. 183 crore as of March 2019. The management, however informed that NDPL has already paid Rs. 40 crore against the demand and the result has been in its favour in FY2020. The company is expecting refund of the tax already paid. Any materialisation of the contingent liability will be a concern.

Liquidity position: Adequate

NDPL's liquidity position is **adequate**. The company has a pending project cost of Rs. 22 crore. There are no principal repayment obligations in FY2021 and the interest obligations stand at ~Rs. 18 crore in FY2021. It has fixed deposits worth ~Rs. 176 crore as of March 31, 2020. Further, the company has completed inventory of residential units and surplus is expected to be generated from sale of the inventory going forward. The NCD repayment is due in May 2022.

Rating sensitivities

Positive triggers – An upgrade in the rating is unlikely in the near term. However, steady sales and collections going forward along with strict ring fencing of the current and future surplus for debt servicing obligations will be the triggers for a rating upgrade.

Negative triggers – Utilisation of the surplus for any activities apart from requirements in the current projects on the balance sheet will put a downward pressure on the rating. Significant weakening of sales and collections or crystallisation of any contingent liabilities may trigger a rating downgrade.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not Applicable
Consolidation / Standalone	Standalone

About the company

Incorporated in 2005, NDPL is part of the Avighna Group, a Mumbai-based real estate developer. The company is undertaking a premium residential project – One Avighna Park – in Parel located in South Mumbai. Spread across 6.5 acres of land, the project consists of saleable component (two residential towers) as well as non-saleable component (rehabilitation buildings). The first residential tower – One Avighna Park – has a total carpet area of 4.49 lakh sq. ft. and the second residential tower – Avighna IX – has a total carpet area of 1.64 lakh sq. ft. The non-saleable component of the project includes rehabilitation buildings for the erstwhile tenants of the land and it will have 1,100 units in total. The construction of the project was started in FY2011 and is completed by FY2020.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	207.9	175.7
PAT (Rs. crore)	1	17.2
OPBDIT/OI (%)	-8.70%	14.3%
RoCE (%)	0.30%	6.5%
Total Debt/TNW (times)	0.6	0.5
Total Debt/OPBDIT (times)	-15	9.2
Interest coverage (times)	-	1.4

Status of non-cooperation with previous CRA:

CRISIL in its release dated June 26, 2019 has stated:

CRISIL has revised the ratings to 'CRISIL BB-/Stable Issuer Not Cooperating' from 'CRISIL BB+/Stable Issuer Non Cooperating'

“CRISIL has been consistently following up with Nish Developers Private Limited (NDPL) for obtaining information through letters dated December 31, 2018 and May 29, 2019, apart from telephonic communication. However, the issuer has remained non-cooperative. The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'issuer not cooperating'. These ratings lack a forward-looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the entity.”

Any other information: None

Rating history for last three years

Instrument	Type	Current Rating (FY2021)			Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs crore)	Date & Rating June 30, 2020	Date & Rating in FY2020 May 31, 2019	Date & Rating in FY2019 April 03, 2018	Date & Rating in FY2018 December 12, 2017	
1	NCD	Long-term	225.75	225.75	[ICRA]BBB+(Stable)	[ICRA]BBB+(Stable)	[ICRA]BBB+(Stable)	[ICRA]BBB+(Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE686V08019	NCD	May 2017	8.00%	May 2022	225.75	[ICRA]BBB+ (Stable)

Source: NDPL

ANALYST CONTACTS

Shubham Jain

+91 124 4545 306

shubhamj@icraindia.com

Anand Kulkarni

+91 22 6169 3326

anand.kulkarni@icraindia.com

Drashti Thakkar

+91 22 6169 3330

drashti.thakkar@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents