

Miraya Realty Private Limited

Instrument	Amount	Rating Action (May 2016)
Non Convertible Debenture	Rs. 37.5 crore	[ICRA]BB (stable) reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BB (pronounced ICRA double B)¹ to Rs. 37.5 crore² Non Convertible Debenture (NCD) programme of Miraya Realty Private Limited (MRPL / the company). The outlook on the long term rating is Stable.

The reaffirmation of rating favourably factors in the established position and track record of the promoter (Forum Group) in real estate development with an experience of over three decades. The Forum Group, by virtue of the residential project, Serendipity, is making a foray into the Mumbai market. Serendipity is being developed by Forum Homes Private Limited (FHPL) jointly with Omkar Group, which has an established track record in SRS projects in the Mumbai market. MRPL has acquired 18 units in this project, funded by the issues proceeds. The NCD would be repaid through the proceeds from the sale of these units.

The rating, is however, constrained by ability of MRPL to liquidate the identified units in a timely manner as per the sales schedule. MRPL, in turn, remains dependent on the Forum Group for liquidation of these units. The risk is further aggravated considering the low sales traction for the project in the recent past. For instance in the period from Mar-15 to Dec-15, seven units was tied up for a total sale value of Rs. 53 crore. On an aggregate basis, as of Dec-15, 0.76 lakh sqft (which comes to 32% of the total saleable area³) has been tied up excluding sales to MRPL (18 units, 0.45 lakh sqft). Being a premium segment project the sale velocity is expected to remain slow. The favourable location of the project, in Bandra Kurla Complex (BKC) which has emerged as an alternative Commercial Business District (CBD) in Mumbai, however, provides some comfort. While assigning the ratings, ICRA has taken note of the delays in the receipt of certain approvals. The project has received the certificate for commencement of construction for the entire storey for the rehab building and till the plinth level for the free sale building. The total development potential of the project is 2.4 lakh sqft. Till date the project has approval for 1.8 lakh sqft and the remaining is to be received by Aug-16. Going forward, receipt of the approvals in a timely manner remains critical to avoid delays in project execution as well as sales and collections. Further, the failure to receive the additional FSI approval by Aug-16 would result in reset of Internal Rate of Return (IRR) to be paid on the NCD thereby further impacting the project profitability. The project remains vulnerable to high execution risk given the early stages of project execution. The project comprises of two towers, namely a 19 storey structure of rehabilitation and 20 storey structure for free sale. The rating also factors in the risks inherent in SRS projects. However, the long experience of the JDA partner in executing SRS projects in Mumbai alleviates the risk to some extent.

Company Profile

Miraya Realty Private Limited (MRPL) is a closely held private limited company owned by the Forum Group. MRPL has acquired 18 units in the project Serendipity, being undertaken by Forum Homes Private Limited (FHPL, or the developer) which is also a part of the Forum Group. The acquisition of units has been funded through the NCDs raised by the MRPL, and the sales proceeds from the same would be used for repayment of the debt. Apart from this, the company does not have any other revenue stream. Serendipity is a residential project located in Bandra Kurla Complex (BKC), Mumbai being developed in a joint development agreement with Mumbai based Omkar Group. Forum Group, which comprises of a consortium of companies promoted and managed by the Saraf Family, is primarily engaged in the real estate development, having developed around 32 lakh square feet (sqft) of retail, commercial and residential space in the past.

May 2016

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² 100 lakh = 1 crore = 10 million

³ Including the additional area for which the approval is yet to be received; the area sold excludes the area acquired by MRPL



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