

Nambiar Builders Private Limited

November 17, 2017

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Term Loan	75.00	75.00	[ICRA]BBB- (Positive); reaffirmed, outlook revised from Stable
Total	75.00	75.00	

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) assigned to the Rs. 75.0-crore¹ fund-based facilities of Nambiar Builders Private Limited (NBPL)². The outlook on the long-term rating has been revised to 'Positive' from 'Stable'.

Rationale

The revision in rating outlook reflects ICRA's expectation that NBPL's financial profile would improve with the planned launch of new projects during FY2018. The ratings continue to take into account healthy sales achieved in the launched phases of NBPL's sole ongoing project — Bellezea. The first phase of this luxury villa project has been fully sold out and handed over by the company. NBPL has achieved sales for around 60% of the saleable area for three additional phases, which are under execution at present. The ratings also take into account the favourable location of the project, which would support sales volumes for future phases to be launched at the Bellezea project. The ratings also draw comfort from the healthy appreciation in prices since the launch, and adequate sales velocity demonstrated over the last year, thereby leading to adequate cover of receivables from the pre-sold area over the balance construction cost and debt outstanding.

The rating is, however, constrained by the limited scale of operations and track record of the company and high dependence on a single project, Bellezea. NBPL has availed high term loans against the ongoing phases to support future expansion and projects of the company, leading to high debt-repayment obligations in the near to medium term. ICRA notes that NBPL had provided significant loans and advances to group entities in the past. The extent of such advances had increased significantly in FY2017 due to delay in launch of a project under a subsidiary company. Nonetheless, the projects against which the loans and advances were provided are expected to be launched soon and with financial closure achieved for these projects, the dependence of NBPL to fund the developments is expected to reduce, going forward.

Going forward, the company's ability to maintain high sales velocity, timely launch and market response to its upcoming projects, and the extent of investments in the land banking and group companies will be the key rating sensitivities.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Outlook: Positive

ICRA believes that the credit profile of Nambiar Builders Private Limited will improve with the planned launch of two new projects during FY2018. NBPL is expected to launch a villa project called Ellegenza while another mixed-use residential project will be developed by Urban Spaces Private Limited (Urban Spaces), a Group company. NBPL had invested significant amounts towards the land aggregation for these projects and the expected operational cash flows from these projects will reduce NBPL's dependence on debt. The ratings may be upgraded if substantial growth and diversification in cash flows as well as reduction in leverage are achieved through launch of new projects in NBPL as well as its subsidiary company. The outlook may be revised to 'Stable' if the project launches are delayed or if collections are lower than expected or if there are higher-than-anticipated outflows towards land investments and group entities weaken liquidity.

Key rating drivers

Credit strengths

Healthy sales achieved in the launched phases of Bellezea – Sales achieved in the launched phases of Bellezea has been healthy. The first phase of the project has already been sold out and handed over to the customers. Sales in the subsequent phases have also been good with around 60% of available units sold out as on date.

Favourable location of the project - The project is located in Narayanaghata, mid-way on the road connecting Sarjapur Road and Hosur Road. The project has close access to the upcoming Wipro project on Sarjapur Road (9 km) and Electronic City (6 km). The project location has many reputed international schools and hospitals in its vicinity.

Healthy appreciation in prices since launch – The project has experienced healthy appreciation in prices since its launch. The first few units in the project were sold for Rs. 4,000 per square feet. However, with the completion and delivery of the first phase of Bellezea, prices have appreciated. The current realisation in the latest phases of Bellezea has been as high as Rs. 10,000 to Rs. 11,000 per sq. ft.

Credit weaknesses

Limited scale of operations and reliance on a single project - The company has a limited scale of operations with Bellezea being its first and only project as on date. The company has launched additional phases in Bellezea after the completion of the first phase. There is high dependence on cash flows from Bellezea to support the growth funding requirements of the company.

High leverage levels – The company has availed high term loans against the ongoing phases of Bellezea project to support future expansion and projects of the company, leading to high debt-repayment obligations in the near to medium term.

Support provided to group companies in the past - The company has provided significant loans and advances to group entities in the past. Major advances were provided to Urban Spaces, which is planning to develop a mixed-use residential project on Hosur Road. The project has been delayed as a result of which NBPL had to support the debt obligations of Urban Spaces during FY2017 and H1FY2018. Nonetheless, the old loans of Urban Spaces have now been refinanced and the project development is expected to start soon, thereby reducing the dependence on NBPL. A portion of the investments made by NBPL into Urban Spaces has already been recovered during FY2018 post the debt refinancing in the latter entity.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Real Estate Entities](#)

About the company:

Nambiar Builders Private Limited (NBPL) was established in 2009 by Mr. Ramesh Nambiar and Mr. Ratheesh Nambiar. It is primarily involved in the business of construction and development of premium and luxury villas, property development and other related real-estate activities. The company has a land bank of over 347 acres in Bangalore. The company is developing a villa project in Bangalore, Bellezea. The company plans to launch additional phases of Bellezea, along with upcoming projects such as Ellegenza. Bellezea will comprise around 500 high-end villas ranging from 4,000–10,000 sq. ft. each, located along the Sarjapura–Electronic City corridor. NBPL has a 51% subsidiary called Urban Space Projects Private Limited, which will develop a township project spanning over 85 acres at Yadavanahalli in South East Bangalore.

In FY2017, on a provisional basis, the company reported a net profit of Rs. 5.76 crore on an operating income of Rs. 126.99 crore compared to a net profit of Rs. 4.57 crore on an operating income of Rs. 111.07 crore in the previous year.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	111.07	126.99
PAT (Rs. crore)	4.57	5.76
OPBDIT/ OI (%)	16.5%	15.7%
RoCE (%)	15.5%	13.3%
Total Debt/ TNW (times)	5.16	5.41
Total Debt/ OPBDIT (times)	6.19	7.47
Interest coverage (times)	1.87	2.11
NWC/ OI (%)	79.3%	67.5%

Status of non-cooperation with previous CRA:

Brickwork Ratings has in its rationale published on November 08, 2016, stated the following:

“Brickwork Ratings would like to inform that Nambiar Builders Private Limited has not provided required information for carrying out a review of the rating, despite close follow up and hence the said Rating has not been reviewed.”

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating Nov 2017	Date & Rating in FY2017 Jul 2016	Date & Rating in FY2016	Date & Rating in FY2015
1 Term Loan	Long Term	75.00	75.00	[ICRA]BBB- (Positive)	[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
NA	Term Loan 1	Jun-2016	NA	Jan- 2020	47.20	[ICRA]BBB- (Positive)
NA	Term Loan 2	Mar-2016	NA	Feb-2020	27.80	[ICRA]BBB- (Positive)

Source: Nambiar Builders Pvt. Ltd.

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