

December 12, 2017

Nish Developers Private Limited

Summary of rated instruments

Instrument*	Rated Amount	Rating Action
Term Loan	Rs. 165 crore (enhanced from Rs. 15 crore to Rs. 180 crore)	[ICRA]BBB+ (Stable); assigned

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]BBB+ (pronounced ICRA triple B) to the Rs. 165-crore¹ (enhanced from Rs. 15 crore to Rs. 180 crore) bank facility of Nish Developers Private Limited (NDPL)². The outlook on the long-term rating is 'Stable'.

Rationale

The rating takes into account the established execution capabilities of the Avighna Group in premium real estate segment with the group having a healthy track record of developing premium residential as well as commercial projects for about two decades. The rating further takes into account the favourable location of NDPL's ongoing project in Parel in South Mumbai with good connectivity and accessibility. The project includes two buildings, viz One Avighna Park (sellable area of 4.5 lakh sq ft) which is in advance stages of construction and Avighna IX (saleable area of 2.9 lakh sq ft) which is nascent stage of construction. The rating favourably takes into account the healthy sales achieved at One Avighna Park and the strong collections with 98% of total sales already received. The rating positively considers the low regulatory risk for the project with the requisite regulatory approvals in place. The rating also favourably factors in the healthy liquidity available with the company with surplus cash of Rs. 105 crore parked as fixed deposit and undrawn line of credit of Rs. 180 crore.

The rating is, however, constrained by the exposure to project execution risks as Avighna IX is in initial stages of construction and the entire project is expected to be completed by December 2018. The rating is further constrained by high markets risks given about 5.2 lakh sq ft of saleable area from both the buildings is yet to be sold and the competition in the micro-market from other established developers remains high. The funding of the balance project cost (~Rs. 490 crore) and repayment of outstanding NCDs remains highly dependent on the incremental sales thus exposing it to high funding risk as well. The company's cash flows would also remain exposed to the cyclicity in the real estate sector. Since the company is undertaking only one project, the company is exposed to risks inherent in single property nature of development i.e. project concentration risk and geography concentration risk.

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

Key rating drivers

Credit strengths

- **Established execution capabilities of the Avighna Group in niche premium segment:** The company is part of the Avighna Group which ventured into real estate business in 1999. Over the years, the Group has developed premium residential as well as commercial projects such as Nishika Terrace (residential), Yashika (residential), Yashika Apartment (residential), Stalaj Terrace (residential), Advent Atria (commercial), and Advent Plaza (commercial).
- **Favorable location of the project in terms of connectivity and accessibility; low regulatory risk for the project:** The company is undertaking a premium residential project – One Avighna Park – located in Parel in South Mumbai. Parel, one of the prime real estate micro-markets in Mumbai, is surrounded by posh localities such as Worli, Lower Parel, Mahalaxmi etc. The project is well connected to other parts of Mumbai through Lalbaug Flyover, Bandra Worli Sea Link, Eastern Freeway and railway lines. The regulatory risk for the project also remains low as regulatory approvals for the remaining construction project are in place.
- **Healthy sales achieved in One Avighna Park so far:** The company has completed construction of One Avighna Park and has sold 2.3 lakh sqft of area out of 4.49 lakh sqft of area for a total booking value of about Rs. 662 crore. The realisations earned by the company have seen healthy increase with the units being sold currently at about Rs. 44,000 per sq ft. The company has also collected 98% of the amount so far resulting in healthy cash inflows. While One Avighna Park is ultra-luxurious building with facilities such as swimming pool, indoor and outdoor sports facilities, gym, salon, spa, mini-theatre, banquet hall etc., Avighna IX building will also offer similar facilities but at a smaller scale and accordingly the selling rates would also be lower.
- **Healthy liquidity profile:** The company's liquidity profile is healthy backed by strong collections from the sales achieved so far. The company also has surplus cash of Rs. 105 crore parked as fixed deposit.

Credit weaknesses

- **Exposure to project execution risk:** The project remains exposed to project execution risks as Avighna IX building is under construction and the entire project is expected to be completed by December 2018. As of date, about 28% of the project cost is yet to be incurred.
- **High market risks:** Being one of the prime real estate markets in Mumbai, Parel and surrounding areas house various premium residential projects as well as commercial projects. The company faces high competition in the micro-market from various reputed developers. High competition in the micro-market and cyclical nature of real estate business expose the company to market risks.
- **Funding risk:** The balance project cost of Rs. 490 crore (including interest cost on non-convertible debentures and compulsorily convertible debentures) is yet to be incurred. The funding of the same is highly dependent on incremental sales.
- **Exposed to risks inherent in the single property nature of development:** The company is undertaking only one project as of now which exposes it to project concentration risk as well as geography concentration risk.

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

Links to applicable criteria:

[Rating Methodology for Real Estate Entities](#)

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 saleable area of 4.5 lakh sqft and the second residential tower – Avighna IX – has a total saleable area of 2.9 lakh sqft. 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 it is expected to be completed by FY2019.

Key Financial Indicators

	FY2016	FY2017
Operating Income (Rs. crore)	80.6	201.7
PAT (Rs. crore)	7.1	4.9
OPBDIT/ OI (%)	16.8%	2.6%
RoCE (%)	2.3%	1.1%
Total Debt/ TNW (times)	2.1	0.9
Total Debt/ OPBDIT (times)	31.6	56.4

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table: Rating History

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				December 2017			
1	Term Loan	Long Term	180	[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	Date of Issuance /Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	May 2017	10.75%	May 2020	180	[ICRA]BBB+ (Stable)

Source: NDPL

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