

Nambiar Builders Private Limited

August 21, 2018

Summary of rated instruments

	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Term loan	112.50	93.44	[ICRA]BBB- (Stable) reaffirmed; outlook revised from Positive
Long Term – Unallocated	0.00	19.06	
Total	112.50	112.50	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) assigned to the borrowing facilities of Nambiar Builders Private Limited (NBPL / the company). The outlook on the long-term rating has been revised to Stable from Positive.

Rationale

The revision in the rating outlook takes into account NBPL's higher-than-anticipated increase in debt levels in FY2018. The company's financing requirements were high because of the large investments made in land during the year. The rating also reflects the high dependence on a single project, Bellezea. Nonetheless, NBPL is planning to launch its next project of a lower ticket size to diversify its cashflow. NBPL also has a subsidiary, Urban Spaces Private Limited (USPL), which owns nearly 80 acres of land in Yadavanahalli, near Hosur Road. NBPL may have to support the servicing of the loan in the subsidiary until the launch of the planned project in the subsidiary.

The rating reaffirmation draws comfort from the healthy sales achieved in the launched phase of NBPL's ongoing project – Bellezea. The first phase of this luxury villa project has been fully sold out and handed over by the company. The company has launched four more phases of the Bellezea project of which the latest phase was launched in FY2018. The rating also takes into account the favourable location of the project, the healthy appreciation in prices since the launch, and the adequate sales velocity demonstrated over the last year, which lent adequate receivable cover over the balance construction cost and debt outstanding.

Outlook: Stable

ICRA believes that the credit profile of NBPL will remain Stable due to the healthy sales velocity of the Bellezea project and the expected launch of new projects. The outlook might be revised to Positive if the company launches the new projects as expected and reduces the debt levels materially. The outlook might be revised to Negative if the company increases its leveraging further to support future expansion.

Key rating drivers

Credit strengths

Healthy sales progress in Bellezea project – The company has achieved healthy sales in the Bellezea project, especially in Phase 2 and Phase Annex. NBPL has recently launched Phase 4 in the Bellezea project. The healthy sales velocity provides adequate visibility to the cash flows with the receivables from sold area covering around 48% of the balance construction cost and debt outstanding on the launched phases.

Favourable location of project – The project is in Narayanaghatta, mid-way on Sarjapur Road and Hosur Road. The project has close access to the new Wipro campus 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, when the initial units in the project were sold at 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 challenges

Increase in leverage levels – The company has availed high term loans against the ongoing phases of Bellezea project to support its future expansion and land investments. As a result, the company's debt levels are higher than ICRA's earlier expectations, resulting in high debt-repayment obligations in the near to medium term.

Support required by Group company – NBPL has made significant investments in USPL, a subsidiary that is planning to develop a mixed-use residential project on Hosur Road. Though NBPL recovered a part of its investments in USPL in FY2018, it may be required to support the servicing of the loan availed for USPL until the launch of the planned project.

Reliance on single project – The company's scale of operation is limited 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 funding requirements of the company. However, ICRA notes that the Bellezea project has been developed over multiple phases. The company has already sold 1.1 million square feet out of a total available 1.5 million square feet saleable area in the project. ICRA also notes that the company plans to launch its new project Ellegenza, which will have a lower ticket size than the Bellezea project and is expected to provide a more diversified cashflow.

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

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 and other related real-estate activities. The company is developing a villa project in Bangalore, named 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 66 acres at Yadavanahalli in South East Bangalore

Key financial indicators

	FY2017	FY2018 ¹
Operating Income (Rs. crore)	127.0	152.4
PAT (Rs. crore)	5.8	8.0
OPBDIT/OI (%)	15.7%	17.6%
RoCE (%)	13.3%	12.6%
Total Debt/TNW (times)	4.9	3.2
Total Debt/OPBDIT (times)	7.3	6.9
Interest Coverage (times)	2.1	2.0
NWC/OI (%)	67.5%	91.8%

Status of non-cooperation with previous CRA: Brickwork Ratings in its rationale published on March 28, 2018, had reviewed the ratings assigned to the bank facilities of NBPL as the issuer did not cooperate. The rating is now revised to BWR BB / Negative; Issuer not cooperating.

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating August 2018	Date & Rating in FY2018 November 2017	Date & Rating in FY2017 July 2016	Date & Rating in FY2016
1 Term Loan	Long Term	93.44	93.44	[ICRA]BBB-(Stable)	[ICRA]BBB-(Positive)	[ICRA]BBB-(Stable)	-
2 Unallocated	Long Term	19.06	0.00	[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

¹ Based on the provisional financials of Nambiar Builders Private Limited

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	June 2016	NA	January 2020	37.14	[ICRA]BBB- (Stable)
NA	Term Loan 2	March 2016	NA	February 2020	19.00	[ICRA]BBB- (Stable)
NA	Term Loan 3	November 2016	NA	September 2020	32.30	[ICRA]BBB- (Stable)
NA	Term Loan 4	March 2017	NA	March 2020	5.00	[ICRA]BBB- (Stable)
NA	Unallocated	-	-	-	19.06	[ICRA]BBB- (Stable)

Source: Nambiar Builders Private Limited

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