



Press Release

Neepa Real Estates Private Limited

June 4, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Proposed Non-Convertible Debenture (NCD)	100.00	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	Reaffirmed

Details of Facilities are in Annexure I

Detailed Rationale

The rating assigned to the Non-Convertible Debenture (NCD) of Neepa Real Estates Private Limited continues to take into account the revised coupon/interest rates as per the indicative term sheet along with its revised repayment structure. Further, the rating continues to derive strength from the Experienced promoters along with an extensive and credible track record of the group (Projects completed in past by Promoters), Strategic Location, Strong Partnership. However, these strengths may be, partially offset by Chance of time and cost overrun and Nature of real estate industry subject to regulations.

Key Rating Sensitivities

Upward factors:

- Scheduled progress of the project and sale of flats leading to adequate cash flow generation.

Downward factors:

- Any delay in scheduled progress due to company specific or external factor and/or slower than expected sale of flats.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters along with an extensive and credible track record of the group (Projects completed in past by Promoters)

Promoters of the company had a long track record of more than two decades in the real estate sector. The promoters are supported by a team a qualified & experienced management. The



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group to which the company's promoters are common have an extensive track record of multiple projects throughout the years.

Strategic Location

The location of Marol, in Andheri East is one of the prime locations for hospitals, educational institutes, recreational activities and many other required amenities. The road connectivity throughout the area is good.

Strong Partnership

The company has partnered with The Design Architects - P&T Consultants Private Limited (Singapore) and The Landscape Designer - Sitetectorix Private Limited (Singapore). Thus the partners are credible and the construction may avoid any time and cost overrun.

Key Rating Weaknesses

Chance of time and cost overrun

Even though all precautions and steps are taken by the company to avoid time and cost overrun, there is always a scope of such a happening due to unforeseen circumstances.

Susceptibility to cyclicity inherent in the Real Estate sector:

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The uncertainty pertaining around Covid-19 also has dented the demand of commercial as well as residential real estate demand.

Analytical Approach: Standalone: The rating assigned is a comment only on the serviceability of the proposed NCD.

Applicable Criteria

Rating methodology for Real Estate companies

Financial ratios and Interpretation (Non-Financial Sector)



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Liquidity – Stretched

The company maintains moderate cash and bank balance to meet its liquidity requirements. The projected DSCR is in moderate territory. Any delay or slow down in the sales as expected can put pressure on the cash flow of the company.

About the Group and the Company

Sheth Group is engaged in Real Estate Development in the Central and Western suburbs of the Northern side of Mumbai, the financial Capital of India. The group has approx. 33 years of experience in building landmarks in the Real Estate industry across Mumbai. The Group consists of Mr. Ashwin Sheth, Mr. Jitendra Sheth, and Mr. Vallabh Sheth as their leaders. Neepa Real Estates Pvt. Ltd. (NREPL) is a company promoted by Sheth group, incorporated in 22nd December, 1992. The company is in the process of building a residential complex in Andheri East, called Vasant Oasis, a fully integrated residential township, which would be the company's first project.

About the Project - Vasant Oasis (Borosil Plot), is at Makwana Road, Off Andheri Kurla Road, Marol, Andheri (E), Mumbai-400 059. The size of the plot taken by the developers to build the 31.60 lakh square feet project is about 19.8 acres. The project consists of 20 towers, wherein 18 towers comprise of 22 stories each. The total cost to be incurred for the project is Rs. 441.58 crores. As on date, 11.55 lakh square feet remains to be sold.

Financials (Standalone):

(INR Crore)

For the year ended* / As on	31-03-2018	31-03-2019
Total Operating Income	675.27	365.02
EBITDA	172.14	182.72
Interest	226.09	275.31
PAT	-50.85	-89.42
Total Debt	1850.21	2064.92
Tangible Net worth	5.56	-83.86
EBIDTA Margin (%)	25.49	50.06
PAT Margin (%)	-7.49	-24.23
Interest Coverage (times)	1.05	0.77



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For the year ended* / As on	31-03-2018	31-03-2019
Long Term Debt / EBIDTA (times)	10.75	11.30
Current Ratio	2.24	5.57
Quick Ratio	0.35	0.60

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (April 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Proposed Non-Convertible Debenture (NCD)	Long Term	100.00	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's



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long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Sl. No.	Instrument/Facility	Limit (INR Crore)	Coupon Rate	Rating Reaffirmed	Maturity
1	Proposed Non-Convertible Debenture (NCD)	100.00	15% p.a. (Upto March 31, 2021)	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	Until December 31, 2024*
			16% p.a. (April 1, 2021 until March 31, 2022)	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	
			18% p.a. (April 1, 2022 onwards)	IVR BB/ Stable Outlook; (IVR Double B with Stable Outlook)	
Total		100.00			

* Subject to Rs.10 Lakhs to be paid immediately after Junior NCDs are paid in full i.e. 31st March 2027