



Rating Rationale

Shree Naman Developers Private Limited

31 December 2020

Brickwork Ratings reaffirms the BWR BBB- rating with change from SO to unsupported rating and change in the outlook from Stable to Negative for the Bank Loan Facilities amounting to Rs. 90.20 Cr of Shree Naman Developers Private Limited (SNDPL or the Company). The Outlook is revised to negative.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based (Term Loan - Windmill plant loan)	90.20	79.75	Long Term	BWR BBB- (SO) Stable	BWR BBB- Negative
Total	90.20	79.75	INR Seventy Nine Crores and Seventy Five Lakhs Only/-		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

BWR has principally relied upon the audited financial results of FY19, Provisional financials for FY20 and information/clarification provided by the company's management.

The rating is now assigned on a standalone basis in line with regulatory guidelines. However the available credit enhancement by way of Escrow and PPA is factored in assigning the rating.

Rationale.

The ratings draws comfort from, inter alia, experienced promoters and group, power purchase agreement (PPA) with Maharashtra State Electricity Distribution Company Limited (MSEDCL) and track record of operations.

The rating is however constrained on account of susceptibility of cash flows to counterparty credit risks, and cash flows remain sensitive to PLF Levels, timely completion of the project and exposed to real estate cyclicalities.



Rating Outlook: Revised to Negative.

The outlook is revised to negative on account of repayment obligations for FY22 onwards and expiry of PPA in September 2021, which as per the company is expected to be renewed..

Key Rating Drivers.

Credit Strength

Experienced and qualified leadership and management team.

The Promoters have been in the business of real estate since the last 20 years. Mr. Jayesh Shah is the promoter and Chairman of Naman Group. Mr. Shah is the founder member & Vice President of the Property Redevelopers Association, Mumbai.

Power purchase agreement with Maharashtra State Electricity Distribution Company Limited (MSEDCL) and long track record of operations.

The Company has a long-term Power purchase agreement with MSEDCL for a period of 13 years. The PPA contract is from FY 2008 and will end in September FY21. However, as per the Company the PPA is expected to be renewed within the timeline. The windmill power plant was commissioned in 2008, which depicts a successful track record of project operations. There is an escrow mechanism to ensure adjustment of cash flows from PPA for repayment of loans being rated.

Credit Weakness

Susceptibility of cash flows to counterparty credit risks.

The project remains exposed to counterparty credit risks arising from exposure to a single buyer and PPA renewal risk..

Vulnerability to weather conditions - As is a feature with wind power plants, cash flows are directly linked to prevalent wind conditions at site and resultant PLF factor. As a result, any adverse variation in wind conditions would impact PLF and consequently affects the cash flows

Vulnerability of cash flows to the cyclical nature of the industry- The company also operates in the real estate market. The real estate market has been witnessing a slowdown in the recent past. Cyclical nature of the real estate industry coupled with subdued demand puts pressure on sales realizations and consequently the cash flows.

Project execution risk: The group is currently executing various projects under various phases and sectors, and as such, is not immune to the project execution risks.

Stretched Liquidity Profile: Stretched with cash balance of Rs. 0.14 Cr and the company is expected to generate cash flows from windmills projects and real estate development to take care of the debt obligation.



Moratorium- Relief measures, such as moratorium on debt servicing as notified by Reserve Bank of India (RBI) are being availed by the Company until August 2020. And the Company has informed that it has not opted for One Time Restructuring as per the resolution framework for Covid related stress.

Rating Sensitivities.

Negative: Timely renewal of Power Purchase Agreement with MSEBL, weakening of liquidity position, generation of power as envisaged and delays in receipt of expected cash flows from real estate division.

Positive: Significant improvement in revenue and cash flows and overall financial performance are the key rating sensitivities.

Analytical Approach – Standalone.

Shree Naman Developers Limited (SNDL) is the flagship company of Naman Group. The group has been associated with real estate development since 1993. The group is present in Realty, Hospitality, Energy and Hospital verticals and Financials Services. SNDL has completed several high value premium projects like Shree Naman Towers, Shree Naman Plaza, SAARTHI, various commercial project in BKC viz. Naman Center, Naman Chambers, etc. The Company is currently developing two project Naman Habitat and Naman Premier. Further, Naman Habitat and Naman Premier are on completion stage from which the Company expect cash flows. Mr. Jayesh Shah is the promoter and Chairman of Naman Group. Mr. Shah is the founder member & Vice President of the Property Redevelopers Association, Mumbai.

Windmill Project (Rated facility)

The Company has installed 29.75 MW of windmill power projects at Nashik, Sangli and Satara in State of Maharashtra. The Company executed a 13 year PPA with Maharashtra State Electricity Distribution Company Limited in the year 2008 for supply of power. The Current prevailing tariff is Rs. 5.30 per unit.

Key Financial:

Particulars	FY 2019	FY2020
Revenue from Operations	57.37	35.19
EBITDA (Rs. Crores)	23.48	12.81
PAT (Rs. Crores)	0.86	6.75
Tangible Net worth (Rs. Crores)	823.24	775.38
Total Debt : TNW (Times)	1.76	1.99
Current Ratio (Times)	1.91	2.07

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument /Facility	Current Rating (Year 2020)			Rating History			
		Type	Amount	Rating	2019	2018	2017	June 2016
1	Term Loan	Long Term	79.75	BWR BBB-Negative	BWR BBB- (SO)	BWR BBB-(SO) Stable	NA	BWR BBB- (SO) [Pronounced as BWR Triple B Minus (Structured Obligation)] Outlook: Stable
2	Term Loan	Long Term	-	-	Rating Withdrawn on full payment.	BWR BBB-(SO) Stable	NA	BWR BBB- (SO) [Pronounced as BWR Triple B Minus (Structured Obligation)] Outlook: Stable
Total			Rs. 79.75	Rupees Seventy Nine Crores and Seventy Five Lakhs Only.				

Status of non cooperation with Previous CRA: Non Applicable

Any other information: Non Applicable

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies.](#)
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Annexure 1 Bank Loan Facility

Particulars (Amount in Rs. Cr)	Fund Based
	Term Loan
Central Bank of India	79.75