

May 29, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	23.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (**read as SMERA single B**) to the abovementioned bank facility of Prajapati Developers (PD). The outlook is '**Stable**'. The rating is constrained by the firm's exposure to project execution risk. The rating is also constrained by firm's high dependence on external funding for the ongoing project. The rating notes that the firm is susceptible to cyclical and intense competition inherent in the real estate sector. However, the rating draws comfort from the firm's experienced management.

PD, established in 1995, is a Navi Mumbai-based real estate development entity. PD is a part of the Prajapati Group. The firm is currently undertaking construction of a residential building (named Prajapati Magnum, Phase I) in Dronagiri, Navi Mumbai. PD is exposed to project execution risk as a significant portion (~97 per cent) of the construction work is pending. The firm expects to complete the project by December 2017. The total project cost is estimated at Rs.61.40 crore, which is likely to be funded through customer advances of Rs.26.40 crore, bank borrowings of Rs.23.00 crore and promoters' funds of Rs.12.00 crore. PD is thus highly dependent on external funding for the project.

PD benefits from its experienced management. The partners of the firm have around two decades of experience in the real estate sector. Moreover, the Prajapati Group has successfully completed ~7.5 lakh sq.ft of real estate projects till date in Navi Mumbai and Hyderabad.

Outlook: Stable

SMERA believes PD will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm generates steady cash flows from customer advances. The outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in execution of project or collection of booking money.

About the project

PD is undertaking construction of a two 19-storey residential buildings named 'Prajapati Magnum, Phase I' in Dronagiri, Navi Mumbai. The proposed saleable area of 1.84 lakh sq.ft will have 142 apartments. The total cost of the project is ~Rs.61.40 crore, which is likely to be funded through promoters' funds of Rs.12.00 crore, term loan of Rs.23.00 crore and customer advances of Rs.26.40 crore. PD has received all the requisite approvals for the project. The construction work started in January 2015 and is likely to be completed by December 2017.

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About the firm

PD, established in 1995, is a Navi Mumbai-based partnership firm promoted by Mr. Rajesh Prajapati and Rakesh Prajapati. PD undertakes real estate development. PD also intends to launch Prajapati Magnum Phase II (one building, 0.77 lakh sq.ft saleable area) and Prajapati Magnum Phase III (two building, 1.84 lakh sq.ft saleable area) in second half of FY2015-16 (refers to financial year, April 01, till March 31).

PD's capital stood at Rs.13.67 crore as on March 31, 2014, as compared with Rs.8.80 crore a year earlier.

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