

Press Release

EMERALD HOME DEVELOPERS PRIVATE LIMITED

November 22, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 36.10 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B** (read as SMERA B)' on the Rs. 36.10 crore bank facilities of EMERALD HOME DEVELOPERS PRIVATE LIMITED. The outlook is '**Stable**'.

Emerald Home Developers Private Limited (EHDPL), a Faridabad-based real estate company headed by Directors, Mr. Bharat Pal Singh and Mr. Piyush Sharma is developing a residential project, Emerald Heights at Faridabad, Haryana. The project is a joint venture between EHDPL (80 per cent) and Mr. Bharat Pal Singh (20 per cent), the land owner.

Key Rating Drivers

Strengths

- **Experienced promoters**

EHDPL was promoted by Mr Bharat Pal Singh and Mr Piyush Sharma who possess extensive experience of around two decades in the real estate industry.

- **Moderate stage of completion, moderate booking**

The Emerald Heights project is at a moderate stage of completion with ~35 percent of the cost having been incurred. The project is expected to be completed by June 2019. As informed by the management, the company has received bookings for 99 flats out of a total of 384 (25.78 percent) as on 31 July 2017.

Weaknesses

- **Modest customer advances as against total sales proceeds expected**

EHDPL collected customer advances to the tune of Rs.16.93 crore against total expected proceeds of Rs. 43.63 crore on the sold units as on 31/07/2017. Hence the customer advances received stood at only 26.91 percent. The project is mainly dependent on customer advances.

- **Off take risk**

The company is exposed to off take risk since the project is expected to be completed by June 2019. Any delay in the project or a downturn in flat bookings can affect cash flows.

- **Inherent cyclicity in the real estate sector**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. The risks associated with the real estate industry are - cyclical nature of business (drop in property prices), interest rate risk that can affect operations.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of EHDPL.

Outlook: Stable

SMERA believes that the company will continue to maintain a stable outlook in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if the company generates steady

cash flows on sale of flats from bookings. Conversely, the outlook may be revised to 'Negative' in case of delay in project execution or collections from bookings getting delayed, creating pressure on liquidity.

About the Project

EHDPL is engaged in the development of Emerald Heights, a residential project on 6.3 acre land at Faridabad, Haryana. The project consists of four towers comprising two, three and four BHK apartments in an area of about 1250 sq ft to ~2400 sq ft. Around 35 per cent construction work has been completed with the remaining expected to be finished by June 2019. The total project cost of Rs.117.15 crore is expected to be funded by a term loan of Rs.36.10 crore, promoters funds of Rs.18.15 crore and the remaining from customer advances.

About the Rated Entity - Key Financials

The net worth stood at Rs.15.96 crore as on 31 March, 2017 compared with Rs.15.86 crore, a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Aug-2017	Term Loan	Long Term	INR 36.1	SMERA B
10-May-2016	Term Loan	Long Term	INR 36.1	SMERA B / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	36.10	SMERA B / Stable

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