

Press Release

Navya Builders & Developers

May 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs. 10.00 crore bank facilities of Navya Builders & Developers. The outlook is '**Stable**'.

Navya Builders and Developers (Navya Builders) is a Bangalore-based real estate partnership firm engaged in the construction of residential apartments. The firm has currently undertaken construction of 'Navya Nisarga', a residential building consisting of four floors (113 flats) at Rammurthi Nagar, Bangalore on an area of around 1.30 lakh sq feet. The total saleable area is around 90,000sq feet.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mrs Divya Kota and Mr D Krishna Reddy possess more than a decade experience in the real estate industry. The entity was established as a partnership firm in the year 2014 and 'Navya Nisarga' is the first project under Navya Builders and Developers. The partners are associated with other group companies like Navya Builders (established in 2000), they have successfully completed many projects like Navya Gruha, Navya Nest, Navya Elite, etc

Weaknesses

- **High dependence on external funds**

Navya Builders has undertaken construction of 'Navya Nisarga', a residential project at an estimated cost of Rs 25.70 cr to be funded from term loan of Rs 10.00 cr and promoters contribution of Rs. 4.00 cr with the balance through customer advances. The project is highly dependent on external funding (term loan and customer advances) which comprise 84.50 per cent of the total project cost.

- **Project implementation risk**

Out of the total project cost of Rs 25.70 crore, the firm has incurred cost of Rs 8 crore (funded through Rs 4 crore of partner's capital and the balance through term loan) already till date (March 2017). The project started in January 2017 and is expected to be completed by end of FY2018. The ability of the firm to complete the project on time without cost and time overruns will remain the key sensitivities.

- **Salability risk and generation of adequate cash flows:**

Till March 2017 only 7 flats out of 113 has been booked till now and Rs 0.01 crore has been received as customer advances. The timely sale of remaining units and generation of adequate cash flows will remain key rating sensitivity factor.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows and completes projects on time. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution or collections in the form of customer advances delayed thereby creating pressure on liquidity.

About the Rated Entity - Key Financials**Status of non-cooperation with previous CRA (if applicable)**

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	31-Mar-2020	10.00	SMERA B / Stable

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