

Press Release

MILROC GOOD EARTH PROPERTY AND DEVELOPERS LLP

November 16, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA C

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA C (read as SMERA C)**' on the Rs. 15.00 crore bank facilities of MILROC GOOD EARTH PROPERTY AND DEVELOPERS LLP.

Milroc Good Earth Property and Developers LLP (MGEPDL) is a Goa-based partnership firm established in 2011 by Mr. Durgaprasad Allaparthi and Mr. Kulasekhar Kantipudi. The firm is engaged in the development of residential and commercial projects in and around Goa and have recently constructed 'Kadamba', a residential project.

Key Rating Drivers

Strengths

- **Established track record and experienced promoters**

The promoters, Mr. Durgaprasad Allaparthi and Mr. Kulasekhar Kantipudi collectively possess around two decades of experience in the real estate industry. They have successfully developed 15 projects (residential and commercial) in and around Goa.

Weaknesses

- **Delays in debt servicing**

The firm has been facing a liquidity crunch which has impaired its ability to meet its debt servicing commitments in a timely manner. MGEPDL has delayed servicing of the loans (unrated) on account of the said cash flow mismatches.

- **Inherent cyclicity in the construction sector**

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

- **Stiff competition from ongoing and new projects in the vicinity**

Bainguinim is one of the fastest growing suburbs in Goa with several residential as well as commercial projects under construction due to proximity to the railway station and the airport. As a result, the firm has to face stiff competition from other players in the vicinity.

Analytical Approach

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

Outlook:

Not Applicable

About the Project

The firm recently developed a residential cum commercial project 'Kadamba' at Bainguinim, Goa with total saleable area of 6.35 lakh square feet to construct 474 units. The total project cost stood at Rs.228.81 crore

and the total sale proceeds expected is Rs. 232.49 crore.

About the Rated Entity - Key Financials

For FY2016-17, MGEPDL reported net profit of Rs. 5.26 crore on operating income of Rs. 51.26 crore as against net profit of Rs.1.73 crore on operating income of Rs. 31.20 crore in the previous year. The networth of the firm stood at Rs. 33.90 crore as on 31 March, 2017 as against Rs. 18.57 crore in the previous year.

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

CRISIL, release dated September 27, 2017 has declared MGEPDL non-cooperative on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA C

Contacts

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ABOUT SMERA

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