



Press Release

Nobility Estates Private Limited

October 15, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 350.00 crore
Long Term Rating	ACUITE BBB- Provisional/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB- Provisional**' (read as **ACUITE triple B minus Provisional**) to the Rs. 350.00 crore bank facilities of NOBILITY ESTATES PRIVATE LIMITED (NEPL). The outlook is '**Stable**'.

Uttar Pradesh-based, Nobility Estates Private Limited (NEPL) was incorporated in 2014 by Mr. Getamber Anand. NEPL is engaged in construction of residential and commercial buildings. NEPL is a wholly-owned subsidiary of S. T. G. Softek Private Limited, which is engaged in the business of rented income. The company is executing a project 'Le Grandiose', located in sector-150, Noida. The project is divided into two phases: Tower 6 to 19 forming part of Phase-I, having 836 units and Tower 1 to 5, 20 & 21 forming part of Phase-II, having 341 units.

About the group

NEPL is a part of ATS group, which was formed with the incorporation of ATS Infrastructure Limited in 1996 and is headed by Mr. Getamber Anand. ATS is a renowned brand in the real estate industry with majority of its projects in Delhi NCR region. The group has successfully executed 26 projects till date with more than 20 ongoing RERA registered projects.

The rating of Rs. 350.00 crore of proposed term loan is provisional and the final rating is subject to:

- Attainment of financial tie-up with 18 months of moratorium
- Documentation in support of sanctioning of such tie-up
- Latest updates on the project execution and customer advances details
- CA Certified capital infusion to the tune of Rs. 50 crore and usage of funds towards payment of land

The provisional rating is valid for 180 days and Acuite reserves the right to alter/modify/extend/withdraw the rating any time prior to 180 days, if such an action is deemed appropriate.

Analytical Approach

Acuite has considered the standalone view of business and financial risk profiles of Nobility Estates Private Limited (NEPL) to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record and experienced management

NEPL, founded by Mr. Getamber Anand, is a part of ATS group having business vintage of more than two decades in real estate development projects and has successfully delivered 26 projects till date. Currently, there are 20+ ongoing projects at different stages of construction under the group.

The group is headed by Mr. Getamber Anand. He was elected as the President of the Confederation of Real Estate Developers' Association of India (CREDAI) for the 2015-17 term and currently spearheads CREDAI as the Chairman.

NEPL is an Uttar Pradesh-based company, incorporated by Mr. Getamber Anand in 2014 and is currently

executing a housing project in Sector 150, Noida. The project was started in 2016 and is divided into two phases; Phase-I including Tower: 6 to 19 and Phase II including Tower 1 to 5, 20 & 21 with a total saleable area of 26,87,155 sq. ft.

Acuite believes that the group's established track record in successful project execution and brand presence will continue to support the company's business risk profile over near to medium term.

Weaknesses

• High dependence on customer advances and execution risk

NEPL is currently executing a project, 'ATS Le Grandiose' located in Sector 150, Noida for which all of required clearances have already been done. The total cost of the project is ~Rs. 1,217.03 crore which is divided into 2 Phases. Out of the total construction area of 26,87,155 sq. ft. the company has constructed ~17,76,011 sq. ft. (~60.13 %). Phase 1 is expected to be completed by 31 December, 2022 and Phase 2 is expected to complete by 31 December, 2024. The construction cost spent as on June 2019 stood at Rs. 246.45 crore (~55.58%).

The sales traction towards this project has remained in lines with the construction pace of the project. The total saleable area of the project stood at 26,87,155 sq. ft. with an expected receivables of ~Rs.1,467.11 crore. The booking levels stood at ~62.41 per cent of the total saleable area. However, the customer advance received as on 30th June 2019 is around Rs. 474.67 crore (32.35% of total expected receivables). The project is completely funded through Non-Convertible debentures and customer advances. Hence, NEPL's dependence towards customer advances will remain high for timely completion of the project. The traction in receipt of customer advances is dependent on project completion. The company's ability to execute projects as per schedule is highly dependent on timely receipt of customer advances, which forms major portion of the total funding requirement of the project. Further, company's ability to refinance its loan on a timely basis will remain a key rating sensitivity factor.

• Susceptibility to Real Estate cyclicity and regulatory risks

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 real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others which could affect the operations. NEPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk which is likely to impact players such as NEPL, thereby impacting its operating capabilities.

Material Covenants

Not Applicable

Liquidity: Adequate

The company has adequate liquidity profile marked by no significant repayment obligations in the near term. NEPL has financed the project by Non-Convertible debentures of Rs. 258.09 crore and remaining is dependence on customer advances of Rs. 992.33 crore. The company plans to refinance these NCDs with a top-up total amounting to ~Rs. 350 crore and an expected capital infusion of ~Rs. 50.00 crore. Acuite expects a moratorium period 18 months. Infusion of capital, refinance of loan with moratorium is expected to provide adequate liquidity for the company for near to medium term.

Outlook: Stable

Acuite believes that NEPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its 'extensive experience of promoters' and 'established presence of the group in the real estate industry'. The outlook may be revised to 'Positive', if the company generates steady cash flows from the customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's liquidity position on account of delays in project execution or lower than expected sales traction towards these projects.

About the Project

NEPL is presently executing a project 'ATS Le Grandiose'. The project is a housing project located in Sector 150, Noida. The saleable area is 26, 87,155 sq. ft. The project cost is Rs. 1,217.03 crore and total receivables of Rs. 1,467.11 crore. The project comprises of two phases: Tower 6 to 19 forming part of Phase-I, having 836 units and Tower 1 to 5, 20 & 21 forming part of Phase-II, having 341 units. The Phase-I of the project is registered with RERA with Registration no. UPRERAPRJ3250 and completion date as 31 December, 2022 and Phase-II of the project is registered with RERA with Registration no. UPRERAPRJ14316 and completion date as 31 December, 2024. The project is sourced through NCDs of Rs. 258.09 crore and customer advances of Rs. 992.33 crore.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1.30	123.05	174.14
EBITDA	Rs. Cr.	(6.27)	1.66	7.14
PAT	Rs. Cr.	(6.91)	3.11	6.29
EBITDA Margin	(%)	(482.38)	1.35	4.10
PAT Margin	(%)	(531.50)	2.53	3.61
ROCE	(%)	(2.04)	0.74	2.66
Total Debt/Tangible Net Worth	Times	21.87	21.91	24.34
PBDIT/Interest	Times	(42.44)	25.45	180096.77
Total Debt/PBDIT	Times	(47.06)	126.52	35.27
Gross Current Assets (Days)	Days	248707	1516	932

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to previous 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
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	350.00	ACUITE BBB- Provisional/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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