



Press Release
NATIONAL REALTY PRIVATE LIMITED
March 28, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	125.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	1487.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1612.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Acuite BBB-**' (read as **Acuite triple B minus**) on the Rs.125.00 Cr. bank facilities of National Realty Private Limited (NRPL). Acuite has reaffirmed its long-term rating of '**Acuite BBB-**' (read as **Acuite triple B minus**) on the Rs.1487.00 Cr. bank facilities of National Realty Private Limited (NRPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects the established track record and experience of the promoters the real estate industry over the last four decades leading to an operating income of Rs.142.42 crore in FY23 as against to Rs. 110.08 crore in FY22. The rating also draws comfort from the portfolio of premium properties, reputed tenant's profile for the company, consistent high occupancy rates and long relationship with its tenants. Further, the rating is supported by the defined payment waterfall mechanism for the company due to the escrow mechanism in place. However, these strengths are partly offset by the below average financial risk profile of the company as marked by an expected DSCR of 0.94 times in FY24. The rating also factors in the susceptibility of the lessee's performance along with occupancy and renewal risk. Further the rating factors in the insufficient cash accruals of the company against the repayment obligations marked in FY23. However, the liquidity of the company is marked adequate, as the company is maintaining a DSRA of Rs.21.53 crore in form of FD which mitigates the liquidity risk to some extent.

About the Company

National Realty Private Limited is a real estate Investment Company, started its operations in the year 1983. The Company is engaged in the business of acquiring properties (mainly commercial) and leasing them to corporate bodies, multinational companies, and banks. The company identifies and acquires high growth potential commercial properties for income and appreciation in capital values. The company is fully held by Mr. Kamal Kishore Jain, his family trust and other family members. The current directors of the company are Mr. Kamal Kishore Jain, Mrs Beenu Jain and Mr. Sorabh Jain.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of National Realty Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operation with professional and experienced management

NRPL has an established track record of operations dating back almost four decades, along with experienced management. The company is promoted by Mr. Kamal Kishore Jain who is supported by his son Mr. Sorabh Jain. The experience of promoters is also reflected in the growing scale of operations, with revenue of the company increasing to Rs. 142.42 Cr. in FY2023 as against Rs. 110.08 Cr. in FY2022. Further, the company was able to mark Rs.90 crore of rental income for H1FY24. The company has maintained a stable relationship with reputed clientele in different industries namely retail industry, financial services, Banks, NBFCs, Consulting, Healthcare, Managed offices, among others. The clientele of the company includes companies like Reliance, Westside, Deloitte, TPG, Aditya Birla Financial services, Mizuho bank, Investec, Siemens, Tablespace Technologies and many more. Acuite believes that NRPL will continue to benefit from its established track record of operations and stable relationships with reputed clients with consistently high occupancy rates.

Premium properties with favourable industry outlook

Over the years, NRPL has significantly increased the number of properties in the portfolio backed by term loans from the various banks. The company has exponentially increased the portfolio of properties from 56 as on FY21 to a total of 83 properties till date. These properties are located across major cities such as Mumbai and Pune and few properties in Nashik and Kolkata. The company has acquired commercial properties across the major business locations such as iThink Lodha - Kolshet, Technology centre IV - Powai, Crescenzo - BKC, Peninsula Business Park - Parel, Amar Tech Park - Pune and many others. The occupancy levels of the properties stand at 100 percent as on date. The current market value of the properties stands at around Rs.3100 crore, considering this market value, the loan to value ratio comes at around 59 percent. Further the market outlook for the real estate sector is favouring the company with government initiatives aimed at infrastructural development are further propelling commercial growth, creating a favourable environment for investors and businesses. With this, the chance of any property remains vacant is low for the company.

Debt servicing supported by Escrow Mechanism and debt service reserve account (DSRA)

As per the terms of sanction for the term loan, it stipulates an escrow mechanism through which rent receipts are routed and used for payment as per the defined payment waterfall. Surplus cash flow after meeting tax expenses, operating expenses, debt servicing obligation, can be utilised for acceleration in debt repayment. NRPL continues to maintain DSRA as per the stipulation. The current DSRA parked with banks stands at more than one month of repayment obligations amounting to Rs.16.91 crore.

Weaknesses

Below average financial risk profile

The financial risk profile of the company remains below average marked by low net worth, high gearing, and poor debt protection metrics. The tangible net worth of the company stood at Rs. 6.36 crore as on 31st March 2023 as against Rs.33.19 crore as on 31st March 2022. The decrease in net worth is on account of losses made by the company during the year. where as, the losses are on account of depreciation of fixed assets for the company, which is a non cash item. The company had revalued their assets for the first time in FY21. The revaluation exercise had led to significant increase in asset's value. Further, considering the revaluation reserves the net worth of the company stood at Rs.565.78 crore as on 31st March 2023. The company has significantly increased its bank borrowing in the last 2 years. The current debt of the company stands at Rs.1834.65 crore as on 30th November 2023. The DSCR for the company dipped in FY23 on account of the acquiring new properties during the year and a longer fit out period led to delayed realization in the rental income by H2FY 2024 from the property. Further, the DSCR for the company is expected to stay below unity at 0.94 times in FY24. However, any decrease in benchmark interest rates going ahead will well support the company in servicing its debt obligations. Further, rent escalations is likely to support the

liquidity going forward.

Acuite believes that addition of any new properties backed by bank borrowings may further deteriorate the financial risk profile of the company.

Susceptibility to lessee' performance along with occupancy and renewal risk

NRPL primarily generates cash flows from lease rentals. The company's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals as per the agreed terms under arrangement. The occurrence of events such as delays in receipt of rentals, or early exits/negotiation by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams thereby affecting NRPL's debt servicing ability. Any significant renegotiations by the lessees can adversely impact the cash flows for the company.

ESG Factors Relevant for Rating

Corporate governance factors are highly material for the real estate industry. Regulatory compliance, board oversight and business ethics are key governance matrices for this industry. Moreover, corruption risks in real estate activities, shareholders' rights, board diversity & independence, financial audit & control and board & management compensation have significant impact on the governance performance of real estate companies. Labor management particularly such as employment quality, employee safety, training & development, are significant social factors in the real estate business. Additionally, the other key material social issues are community support & development, product quality & responsibility and human rights. The activities of a real estate entity have a moderate impact on the environment that include material issues such as energy, water efficiency and waste management.

Rating Sensitivities

- Successful negotiation in lease rentals leading to higher income.
- Further addition of properties backed by bank borrowings, leading to decrease in DSCR.

Liquidity Position

Adequate

The liquidity of the company is adequate supported by ESCROW mechanism with a well-defined waterfall mechanism. Further, the company is maintaining a DSRA of Rs.21.53 crore with various banks as of November 2023 providing additional cushion to liquidity. Also, the average utilizations for overdraft facility stands at low of 26.37 percent in last 7 months ended October 2023. The cash and bank balance of the company stood at 19 lakhs as on 31st March 2023. The company also has a GST receivable of 18.67 crore as on 31st March 2023. However, the company has not generated sufficient NCA to repay its debt obligation in FY 2023 resulting into a below unity DSCR. Acuite expects that liquidity of the company is likely to improve going ahead on account of annual rental escalation and generation of rental income from the new properties which were added during the year.

Outlook: Stable

Acuite believes that outlook on NRPL will remain 'Stable' over the medium term backed by its promoters' industry experience and long-term lease agreement with its reputed clients. The outlook may be revised to 'Positive' in case of higher rental income leading to sufficient cash accruals against the repayment obligations and healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any drop in occupancy levels, non-renewal of lease agreements which will lead to further deterioration of financial flexibility and liquidity for the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	142.42	110.08
PAT	Rs. Cr.	(43.21)	(10.23)
PAT Margin	(%)	(30.34)	(9.29)
Total Debt/Tangible Net Worth	Times	231.51	32.90
PBDIT/Interest	Times	1.21	1.65

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2023	Proposed Long Term Bank Facility	Long Term	523.93	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	570.53	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	392.54	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.17	ACUITE BBB- Stable Reaffirmed
HDFC Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2036	Simple	570.53	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2037	Simple	391.30	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2039	Simple	520.00	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2039	Simple	125.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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