

March 16, 2020

Jai Maharashtra Nagar Development Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures (NCD)	78.00	78.00	[ICRA]D; Reaffirmed
Total	78.00	78.00	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation factors in the continuing delays in debt servicing as well as breach of the covenants of the debenture trust deed by failing to provide additional security within the stipulated timelines. ICRA notes that the principal and premium amounts due from Jai Maharashtra Nagar Development Private Limited (JMNDPL) for redemption of NCD on March 16, 2016 and June 16, 2016 remain overdue as on date. The execution risk continues to remain high following delays of over four years in commencement of the project, coupled with high regulatory risk led by expiry of critical approvals including Intimation of Disapproval (IOD). The project also faces high market risk, given that no sales have been recorded and advances collected against bookings have been refunded.

Key rating drivers and their description

Credit strengths

Not Applicable

Credit challenges

Delays in debt servicing pertaining to NCD and continuing breach of covenants of debenture trustee deed - The debentures were initially due for redemption in March 16, 2015 and November 16, 2015. These were subsequently restructured, and the redemption dates were extended to March 16, 2016 and June 16, 2016. The company, however, failed to provide additional security within the stipulated timelines post the restructuring of the NCDs in 2015, leading to a breach of the covenants of the debenture trust deed. Furthermore, the principal and premium amounts due for redemption remain overdue as on date.

High execution risk as there has been no progress in the project over the past four years - The company had planned to commence construction in 2013. It, however, failed to receive critical approvals including IOD for the sale portion, leading to delays in project execution since construction has not started at the site as yet.

High regulatory risk with delay in receipt of approvals and project execution by over four years - All the regulatory approvals received by the project have expired. Since there has been no progress in the project, the company has not applied for any new approvals, which exposes the project to high regulatory risk.

Market risk given that the project is stalled - The company had launched 122 out of the planned 897 saleable units in August 2012. However, due to delay in project execution, all the bookings have been cancelled and the advances refunded to customers.

Liquidity position: Poor

JMNDPL's fund flow from operations (FFO) has remained negative for the last five years. It had an outstanding NCD of

Rs. 78.00 crore as on March 31, 2019. ICRA notes that there is a major concern on liquidity, since the project is not operational to generate cash inflows and debt repayments are yet to be made, resulting in severe cashflow mismatch.

Rating sensitivities

Positive triggers - The ratings may be upgraded if the company repays its outstanding NCDs and interest accrued.

Negative triggers – Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Companies
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

JMNDPL is a special purpose vehicle promoted by a Mumbai-based promoter group for the redevelopment of the Jai Maharashtra Nagar Co-operative Housing Federation Limited—a federation of eight societies at Borivali (East) in Mumbai. The redevelopment project entails rehabilitation of its existing society tenants, as part of the free-sale component of the project, while the company has been entitled to sell about 1.23 million square feet of saleable area.

The company has not recorded any revenues in FY2018 and FY2019. JMNDPL recorded net loss of Rs. 0.40 crore and

Rs. 0.22 crore in FY2018 and FY2019, respectively.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	0.00	0.00
PAT (Rs. crore)	-0.40	-0.22
OPBDIT/ OI (%)	-	-
RoCE (%)	-0.13%	-0.07%
Total Outside Liabilities/Tangible Net Worth (times)	7.38	7.43
Total Debt/ OPBDIT (times)	-452.94	-513.34
Interest Coverage (times)	-	-
DSCR	-	-

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax; RoCE: Return on Capital Employed
Source: Financial statements of JMNDPL and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					16-Mar-2020	31-Dec-2018	20-Sep-2017	23-Jun-2016
1	Non-convertible debentures	Long-Term	78.00	78.00	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Unlisted	Non-Convertible Debentures	July-2012	27.78%	Jun-2016*	78.00	[ICRA]D

Source: JMNDPL

*JMNDPL has been delaying the repayment of its NCDs

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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