

CRISIL's criteria for grading real estate developers

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Executive summary

CRISIL Developer Grading assesses a real estate developer's capability to execute a project as per specified quality standards and its ability to transfer a clear title within the stipulated schedule. The key parameters assessed by CRISIL are the developer's (1) track record, (2) organisational strength and (3) financial strength. The developer's capability is benchmarked across other developers in India.

Grading benefits

For real estate developers

- Command a premium
- Provide comfort to investors
- Easily access low-cost capital

For customers and investors

- Obtain an independent opinion on the developer's track record of transfer of clean title and timely project completion
- Helps identify certified developers and make informed decisions

For banks, financial, and lending institutions

- Obtain an independent third-party opinion on the developer's performance and ability

For regulators

- Orderly development of the sector
- Self-regulating framework
- Encourage developers to maintain legal and construction standards

Grading scale and definition

The CRISIL Developer Grading is based on an eight-point scale from 'DA1+' (highest) to 'DA5' (lowest). CRISIL may apply the '+' (plus) sign for grading from 'DA1' to 'DA3' to reflect the developer's comparative standing within the category.

An assigned grading is valid for 12 months. CRISIL keeps it under continuous surveillance until such time we receive communication from the developer requesting withdrawal of the grading.

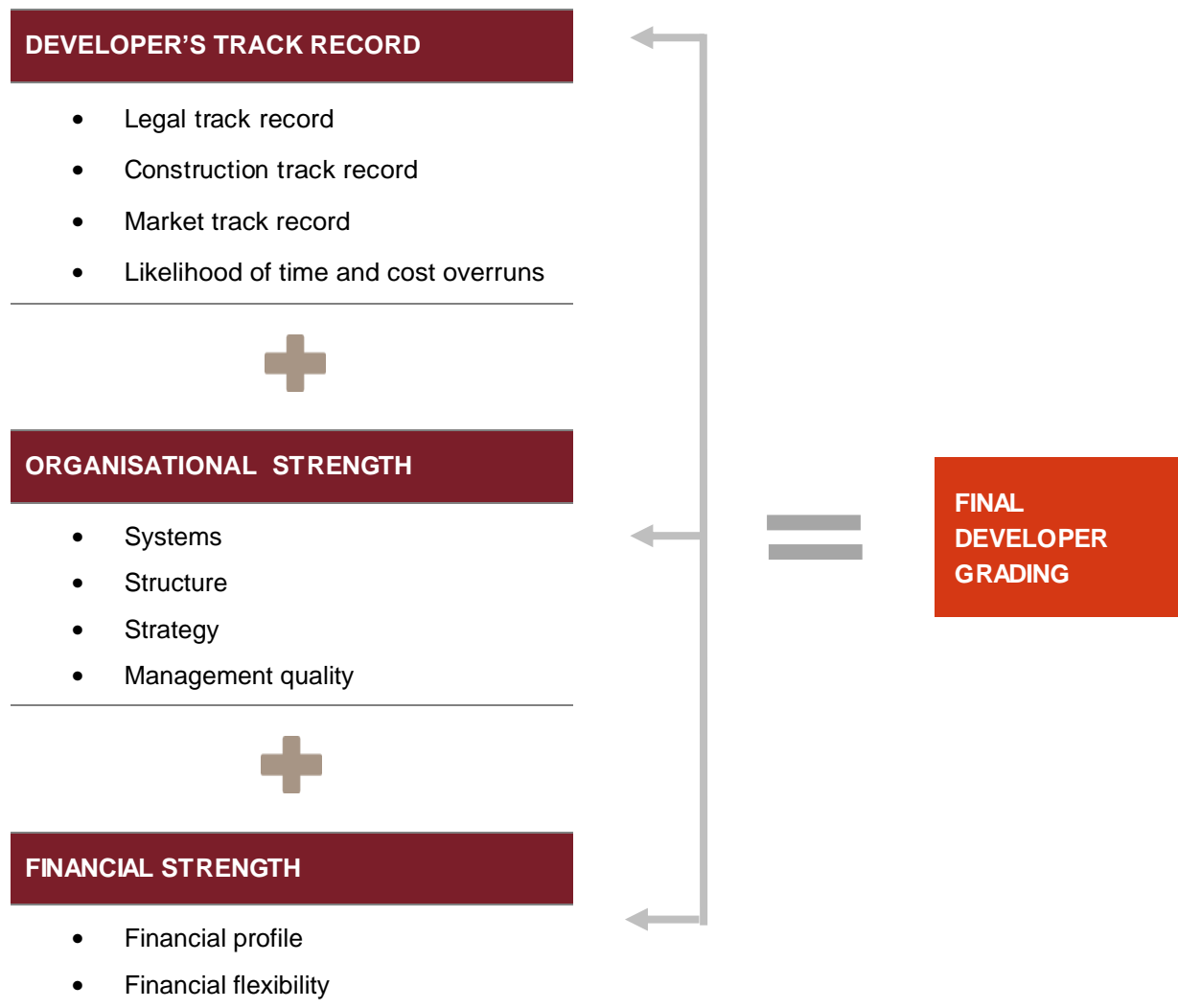
In case a developer is not cooperating with the surveillance process, CRISIL may take appropriate grading action, which may include withdrawal/suspension of the grading.

Details of the grading scale are as below:

DA1	<p>Excellent</p> <p>The developer's ability to execute real estate projects as per specified quality levels within the stipulated time schedule, and to transfer clean title, is excellent.</p>
DA2	<p>Very good</p> <p>The developer's ability to execute real estate projects as per specified quality levels within the stipulated time schedule, and to transfer clean title, is very good.</p>
DA3	<p>Good</p> <p>The developer's ability to execute real estate projects as per specified quality levels within the stipulated time schedule, and to transfer clean title, is good.</p>
DA4	<p>Below average</p> <p>The developer's ability to execute real estate projects as per specified quality levels within the stipulated time schedule, and to transfer clean title, is below average.</p>
DA5	<p>Poor</p> <p>The developer's ability to execute real estate projects as per specified quality levels within the stipulated time schedule, and to transfer clean title, is poor.</p>

Note: CRISIL may apply '+' (plus) sign for gradings from 'DA1' to 'DA3' to reflect comparative standing within the category.

Grading framework



Grading parameters

Developer's track record

CRISIL assesses a developer's track record on the basis of the following parameters:

- Extent of compliance with various statutory and legal requirements
- Commitment to quality of projects
- Scale and size of completed, ongoing, and planned projects
- Quality of on-site and off-site infrastructure
- Reputation of the developer and brand value associated with its properties
- Customer feedback

Other parameters such as land acquisition, marketing and construction strategies also get weightage.

Organisational strength

Efficient project execution in the real estate sector depends on the infrastructure a developer has at its disposal, well-structured and effective systems, and a dynamic land acquisition and development strategy. CRISIL assesses the extent to which a developer adopts a structured approach to business management and controls. CRISIL also assesses the organisational structure, role definition, staffing and management style, and availability of a qualified talent pool within the organisation.

Financial strength

CRISIL assesses a developer's financial risks to ascertain its ability to complete projects on time. This entails an understanding of the company's past financial performance and financial flexibility. We also assess the ability to tie up a project's end-to-end funding requirements, essential for timely and cost-efficient execution.

Grading process



Step: 1	Step: 2	Step: 3	Step: 4
<p>Analysis of information received by the CRISIL team</p>	<p>Site visit and interaction between the CRISIL team and the company</p>	<p>Preparation of the grading report by the analyst and its presentation before the grading committee</p>	<p>Assignment of a grading by the grading committee, acceptance of the grading by the developer, and publication of the grading in the public domain by CRISIL.</p> <p>The entire grading process will take 4-5 weeks post receipt of complete information.</p>

About CRISIL Limited

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