

Grading Rationale

December 12, 2018 | Mumbai

Land Trades Builders and Developers

Grading Action

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| Developer Grading | DA2 (upgraded from 'DA3+') |
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CRISIL has upgraded its real estate developer grading on Land Trades Builders and Developers (Land Trades) to '**DA2**' from 'DA3+'. The 'DA2' grading indicates that the developer's ability to execute real estate projects as per the specified quality level and within the stipulated time schedule, and to transfer a clean title, is '**very good.**'

The upgrade primarily factors in Land Trades' significantly stronger financial risk profile: networth and gearing improved to Rs 42 crore and 0.7 time, respectively, as on March 31, 2018, from Rs 6 crore and 4.6 times, respectively, as on March 31, 2015. The financial risk profile will, likely, remain stable over the medium term.

The grading also reflects Land Trades' strong brand image, goodwill and sound marketing and project development strategies. These grading strengths are partially offset by geographic concentration in operations, limited track record in commercial and retail development, and lack of a second-line of professional management.

The firm's development plans are focused on mid-sized residential projects: its land acquisition strategy is conservative, and legal strategy is strong, with construction work being outsourced to large civil contractors. Promoter, Mr Shrinath Hebbar, has been in the realty development business in Mangalore for over 26 years. The group is a well-recognised player in the Mangalore real estate market, given its longstanding presence in the region.

Geographic concentration risks persist, with the group's presence still limited to Mangalore. In the past 5 years, the group has completed 18 projects aggregating 1.2 million square feet. Its three ongoing projects cover 0.55 million square feet. Projects completed in the past five years have been delayed by about two months on average on account of non-receipt of occupancy certificates. The grading is also constrained by the firm's centralised decision-making, in the absence of an experienced second line of management.

About the Firm

Land Trades, a proprietorship firm was set up in 1992 by Mr Srinath Hebbar. Prior to setting up Land Trades, he operated partnership firm, Vijayshree Arcade. The group is among the leading developers in Mangalore.

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