



Developer Grading Rationale

June 27, 2022, Mangalore

Land Trades Builders and Developers

Developer grading	DA2
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Valid until: June 26, 2023

Detailed rationale

CRISIL has reaffirmed its real estate developer grading of '**DA2**' on Land Trades Builders and Developers. The 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 transfer a clean title is '**Very Good**'.

The grading continues to reflect the developer's strong brand image, goodwill in the Mangalore's real estate market, sound marketing practices and project development strategies. The grading also factors in the company's sound financial risk profile, with comfortable gearing and debt protection metrics. Liquidity is driven by moderate bookings for ongoing projects and timely receipt of customer advances.

These grading strengths are partially offset by the company's exposure to geographic concentration risk, limited track record in retail and commercial development, over-utilisation of working capital limits and dependence on customer advances for funding needs. The grading is also constrained by centralised decision-making in the absence of an experienced second line of management with all decisions taken by the promoter.

Overall labour capacity utilisation remained close to 100.00% in fiscal 2022. However, it was observed that the construction progress of the projects had slowed down, coupled with overall escalation of raw material costs. In addition, as a majority of its customer base resides in Gulf countries (especially Dubai, the United Arab Emirates), the pandemic and the subsequent travel restrictions led to a decline in footfalls and resulted in a decline in sales.

Overall saleability of recently completed projects was impacted in fiscal 2022 due to the second wave of Covid-19 and stayed moderate at 32.32% for ongoing projects.

The financial risk profile is moderate, as reflected in low gearing of 0.45, and net worth of Rs 66.06 crore in the year ending March 31, 2022 (provisionals) compared with gearing of 0.48 and net worth of Rs 43.67 crore in the year ending March 31, 2021. Profit after tax of Rs 14.86 crore, net cash accrual of Rs 15.03 crore were reported in fiscal 2022 (provisionals) vis-a-vis profit after tax of Rs 1.09 crore and net cash accruals of Rs 1.29 crore in the year ending March 31, 2021.

Geographic concentration risk persists, with the company's presence concentrated in Mangalore. Since inception, the firm has completed 38 projects, aggregating 27.01 lakh sq ft and four ongoing projects cover 4.60 lakh sq ft. The developer is planning to launch one high-rise residential project named Shivbhag and one mixed development project in Mangalore.



About the developer

Incorporated in 1992 by promoter Mr Srinath Hebbar, Land Trades undertakes real estate development in Mangalore, and is one of the leading developers in the city. Before setting up Land Trades, Mr Hebbar operated partnership firm Vijayshree Arcade.

The promoter has 30 years of experience in the real estate sector. Land Trades has good brand equity and reputation in the Mangalore real estate market. The firm has adopted sound strategies for land development and undertakes most of the civil construction work through a reputed civil contractor.

The development strategy focuses on completing ongoing projects mainly undertaken on own land and a small percentage through joint development, which requires upfront investment. The projects are largely funded through customer advances.



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Photographs



Solitaire - Completed



Adonia – Completed



Minerva - Completed



Indus - Ongoing



Adira – Ongoing



Nakshatra - Ongoing



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