KW
GROUP
for touching heights

Date: 10th April, 2018

To

The General Manager
BSE Limited
P.J. Tower, Dalal Street
Mumbai-400001

Ref: **K World Estate Private Limited NCDs bearing Script Code. 954662/ ______ and ISIN No. INE261V07013**

Sub: Credit Rating pursuant to Regulation 55 of SEBI (Listing Obligation and disclosure Requirements) Regulations, 2015

We hereby intimate that in compliance of Regulation 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had reviewed its credit rating from CARE Rating Agency on April 05, 2018. The Copy of the same is also attached for your record.

Kindly take the same on your records.

Thanking You,

For K World Estate Private Limited

K WORLD ESTATE PVT. LTD. NEW DELHI

(Goloka Behari Padhi)
Company Secretary & DGM (A&F)/Compliance Officer
M.No - FCS7949

Encl A/a

No. CARE/DRO/RR/2018-19/1022

Mr. M.S. Prasad
DGM
K World Estate Pvt Ltd
B-97, Sector-63,
Noida, U.P.

April 5, 2018

Dear Sir,

Credit rating of outstanding Non-Convertible Debentures for Rs.55.00 cr

Please refer to our letter dated March 21, 2018 on the above subject.

2. The rationale for the rating is attached as an **Annexure-I.**

3. We request you to peruse the annexed documentand offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 6, 2018, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

Aviral Agarwal
Analyst
aviral.agarwal@careratings.com

Amit Jindal
Sr. Manager
amit.jindal@careratings.com

Encl.: As above

CARE Ratings Limited
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CIN-L67190MH1993PLC071691

Annexure-I

Rating Rationale

K World Estate Pvt Ltd

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Non-Convertible Debenture issue	55.00 (reduced from 68.00)	CARE BB+; Stable (Double B Plus); Outlook: Stable	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Total	55.00 (Rs. Fifty five crore only)		

Rating Rationale

The revision in rating of the NCDs of K World Estate Pvt Ltd (KWEPL) takes into account, experience of the promoters, project completion with receipt of occupancy certificate & improvement in financial risk profile due to prepayment of NCDs.

The rating however continues to remain constrained on account of high overall gearing, limited scale of operations & inherent risk associated with the real estate industry.

Going forward, ability of the company to sell the remaining inventory in a timely manner and announcement of any major debt funded new project will be a key rating sensitivity.

Background

Incorporated in 2010, K World Estate Pvt. Ltd. is a part of Delhi based KW group which is engaged in construction and real estate development in Delhi and NCR region. KW group is promoted by Mr. J. L. Kesarwani (retired from Indian Air Force) having 2 decade of experience in real estate and construction industry.

The group has already completed five residential projects having total saleable area of 28.57 lsf in National Capital Region. The group is currently executing two commercial projects located in Ghaziabad and Delhi. The group housing project 'KW

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.*

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Srishti' located at Raj Nagar Extn, Ghaziabad was being developed in KWEPL and has been completed in H1FY18.

Credit Risk Assessment

Limited scale of operations

The company has been executing only single project 'KW Srishti at Ghaziabad and thereby remains exposed to concentration risk. However, completion of project & receipt of occupancy certificate along with high booking status mitigates the uncertainty of project cash flows thus offsetting the concentration risk to some extent.

High overall gearing

During FY17, KWEPL issued NCDs of Rs.68.00cr for refinancing the existing debt & for development of projects in other group companies, resulting in total outstanding debt of Rs.74.07cr at the end of FY17 (PY: 24.52cr). As a result overall gearing at the end of FY17 deteriorated to 9.33x (PY:3.14x). However with the satisfactory customer collection and prepayment of debt, overall gearing position for the company is expected to improve at the end of FY18. Going forward announcement of any major debt funded project would be key rating sensitivity.

Inherent risk associated with the real estate industry - Industry Risk

The real estate sector is moving towards a more rational regime where developers, having learnt from their mistakes, now focus on project execution and delivery. 2018 is expected to gradually move towards better home sales and see a spurt in launches in some locations. The year will also see the sector moving from an investor-driven to an end-user driven cycle.

As per market sentiments the India Real Estate Market may not witness a sharp reversal in 2018 as the sector continues to remain troubled with issues of high unsold inventory, delayed delivery of projects and financial stress on developers. Thus, the broader market opinion is that while the long term story for residential market remains strong; the short term is expected to be sluggish.

Experienced promoters

KWEPL is part of the Delhi based KW group which is engaged in construction and real estate development in Delhi and NCR region. KW group is promoted by Mr. J. L.

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Kesarwani (retired from Indian Air Force) having 2 decade of experience in real estate and construction industry. The group has already completed four residential projects having total saleable area of 28.57 lsf in National Capital Region including both the phases of KW Srishti project.

Completion of project along with receipt of the occupancy certificate

The company has completed the construction of its project 'KW Srishti' in H1FY18 with total incurred cost of Rs.483cr as on Jan 31, 2018 which accounts for 98% of the estimated cost and has received the occupancy certificate for the project. . Also out of the total saleable area of 18.21 lsf, the company has already sold 16.18 lsf and has balance receivables of Rs.14 crore from sold inventory as on Jan 31, 2018 (PY: 14.92 lsf sold till Jan 31, 2017). Further, the company had booked sales for 1.49 lsf area with collections of Rs.39.80 cr during past 9 months period ended Dec-17. (PY: 0.95 lsf of area sold with collections of Rs.26 cr in 9M ended Dec-16).

Prepayment of debt

The NCDs were to be repaid in 4 equal quarterly installments starting September 2019. However due to surplus cash inflows, KWEPL has prepaid NCDs worth Rs.13.00cr in the period starting October 2017 to Jan 2018. This reflects upon the healthy financial position of the company. Further the company had a cash surplus of Rs.14.22cr as on Dec 31, 2017.

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Financial Performance

(Rs. Cr)

For the period ended / as at Mar.31,	2015 (12m, A)	2016 (12m, A)	2017 (12m, A)
Working Results			
Net Sales	80.11	101.25	73.16
Total Operating Income	81.00	101.86	73.33
PBILDT	8.74	10.29	14.41
Interest	7.24	9.04	12.99
Depreciation	1.26	0.94	1.09
PBT	0.94	0.32	0.54
PAT (after deferred tax)	0.62	0.11	0.14
Gross Cash Accruals	1.69	0.99	1.26
Financial Position			
Equity Capital	1.02	1.02	1.02
Networth	7.70	7.81	7.94
Total capital employed	33.18	32.13	81.71
Key Ratios			
Growth			
Growth in Total income (%)	(1.40)	25.76	(28.01)
Growth in PAT (after D.Tax) (%)	(33.70)	(81.80)	24.03
Profitability			
PBILDT/Total Op. income (%)	10.79	10.11	19.65
PAT (after deferred tax)/ Total income (%)	0.76	0.11	0.19
ROCE (%)	21.06	28.66	23.77
Average cost of borrowing (%)	22.97	36.05	26.35
Solvency			
Long Term Debt Equity ratio (times)	3.33	3.14	9.20
Overall gearing ratio(times)	3.33	3.14	9.33
Interest coverage(times)	1.21	1.14	1.11
Term debt/Gross cash accruals(years)	15.19	24.69	58.07
Liquidity			
Current ratio(times)	0.43	0.11	0.30
Quick ratio(times)	0.12	0.07	0.22
Turnover			
Average collection period (days)	0	0	0
Average creditors (days)	52	62	72
Average inventory (days)	26	15	8
Operating cycle (days)	(26)	(47)	(64)

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