

May 28, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	91.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the abovementioned bank facility of Rikki Ronie Developer (RRD). The outlook is '**Stable**'. The rating is constrained by risks associated with the execution of the ongoing project and saleability of the un-booked units. The rating notes that the firm is susceptible to the inherent cyclical and intense competition in the real estate sector. The rating is also constrained by the firm's dependence on external funding for the project. However, the rating draws comfort from the firm's experienced management and locational advantage.

RRD, part of the Royal Group was established in 2006. The company is into real estate development and has currently undertaken the construction of residential-cum-public housing project named Royal Oasis in Malad West, Maharashtra at an estimated project cost of Rs.247.98 crore. RRD launched its ongoing project in February 2014. The company has registered bookings for ~25 per cent of the total saleable area (of 4,85,720 sq. ft.). The project is to be funded through customer advances of Rs.86.98 crore, bank borrowings of Rs.91.00 crore and promoters' funds of Rs.70.00 crore and is expected to be completed by June 2017. However, the company is exposed to project execution risk as a significant portion (~70 per cent) of the construction work is pending. RRD's project is exposed to saleability risk, which is intensified by the current slowdown and intense competition in the real estate sector. Also, the company is dependent on external funding (includes customer advances and bank borrowings) which account for ~72 per cent of the total project cost.

RRD benefits from its experienced management. The promoters have around three decades of experience in the real estate sector and within the group have completed development of ~11,03,733 sq. ft. of residential space in Mumbai. The company has received customer advances of ~Rs.21.14 crore as on April 20, 2015 for Royal Oasis. The project enjoys locational advantage – one of the highlights which is expected to give a boost to further bookings in the near future.

Outlook: Stable

SMERA believes RRD will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm generates steady cash flows from operations driven by timely receipt of customer advances. However, the outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in project execution or collection of booking money from customers.

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About the Project

RRD has undertaken a PHP (Public Housing Project) project - Royal Oasis in Malad, Mumbai. The project involves construction of three buildings out of which two buildings would be of 21 and 15 storeys respectively with 486 saleable units each. The third building comprising 140 flats (~1,30,348 sq.ft) would be reserved for public housing under the rehabilitation scheme.

The total project cost is ~Rs.247.98 crore expected to be funded through promoters' contribution of Rs.70 crore, a term loan of Rs.91.00 crore and customer advances of Rs.86.98 crore. The construction work on the project began in February 2014 and the company expects to complete the same by June 2017.

About the Company

RRD, established in 2006, is a Mumbai-based partnership firm engaged in the real estate business.

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