

Press Release

Realtech Developments and Infrastructure India Private Limited

January 25, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs.7.45 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/ Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.7.45 crore bank facilities of Realtech Developments and Infrastructure India Private Limited (RDIPL).

The downgrade is in view of persistent delays in servicing of bank obligations on account of stretched liquidity position.

The Delhi-based, RDIPL was incorporated in 2012 by Mr. Hitesh Yadav and Mr. Atul Yadav. RDIPL is engaged in developing residential and commercial complexes. The company has land bank of 25 acres. Currently, RDIPL is developing a residential project named 'The Luxurium' having saleable area of 332160 square feet. The project was launched in 2015 consisting of 207 units and located in Gurgaon (Delhi).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of the RDIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Hitesh Yadav and Mr. Atul Yadav possess more than a decade of experience in real estate industry.

- **Moderate stage of project completion**

Currently, RDIPL is developing a residential project - The Luxurium (launched in 2015) at Gurgaon with saleable area of 332160 square feet. The total cost is around Rs.180.86 crore. The project is funded by Rs.115.36 crore of customer advances and Rs.65.50 crore promoters' capital. The project, comprising 207 residential units, is at an advanced stage of construction. About 66.43 percent of the total saleable area has been booked as on 31 December, 2018.

Weaknesses

- **Delays in servicing of debt obligations**

RDIPL has been facing significant liquidity pressure on account of delayed realisation from its clients which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of continuous cash credit over-drawings.

- **High execution risk over susceptibility to Real Estate cyclicity and regulatory risks**

RDIPL is exposed to the risk of volatile prices on account of frequent demand-supply mismatches in the industry. The Real Estate sector is under high stress on account of large amount of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance

costs. Given the high degree of financial leverage the high cost of borrowing inhibits the real estate developers' ability to reduce prices. Further, the industry is exposed to regulatory risk which is likely to impact players such as RD IPL, thereby impacting its operating capabilities.

Liquidity Position:

RD IPL's liquidity is under pressure due to persistent over-drawings in cash credit account. The net cash accruals stands at Rs.0.22 crore and Rs.0.31 crore in FY2018 and FY2017, respectively. Moreover, the sharp decline in net cash accruals are mainly on account of the declining trend in operating income as evident from Rs.3.72 crore in FY2018 as against Rs.6.38 crore during FY2017 and Rs.10.28 crore from FY2016.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3.72	6.38	10.28
EBITDA	Rs. Cr.	0.37	0.42	0.52
PAT	Rs. Cr.	0.15	0.22	0.31
EBITDA Margin	(%)	10.07	6.55	5.01
PAT Margin	(%)	4.10	3.50	3.03
ROCE	(%)	4.53	7.59	458.49
Total Debt/Tangible Net Worth	Times	4.80	4.12	1.20
PBDIT/Interest	Times	1.89	2.68	4.69
Total Debt/PBDIT	Times	17.63	12.88	2.94
Gross Current Assets (Days)	Days	724	315	202

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Sep-2018	Secured Overdraft	Long Term	1.50	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	5.95	ACUITE A4 (Indicative)
20-Jul-2017	Secured Overdraft	Long Term	1.50	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.95	ACUITE A4 (Reaffirmed)
09-Jan-2016	Secured Overdraft	Long Term	1.50	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	5.95	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE D (Downgraded from ACUITE B+/ Stable)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.95	ACUITE D (Downgraded from ACUITE A4)

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About Acuite Ratings & Research:

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