

May 17, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan	4.56	SMERA B-/Stable (Assigned)
Facilities (Proposed)	0.44	SMERA B-/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B-' (read as SMERA B minus)** to the Rs.5.00 crore bank facilities of Rural Infrastructure Development Private Limited (Rural Infrastructure). The outlook is '**Stable**'.

The rating is constrained by finalisation phase of warehouse lease agreement, exposure to customer concentration risk and absence of Debt Service Reserve Account (DSRA) mechanism for payment of EMIs for the availed warehouse loan. The rating also factors in the company's exposure to project execution and saleability risk of the ongoing plot project. However, the rating draws comfort from the promoter's extensive experience and established market presence.

Established in 2013, Rural Infrastructure plans to lease out its unoccupied warehouse at Bhiwandi, Thane, Maharashtra to Myntra Designs Private Limited (Myntra) by the end of July, 2016. As the warehouse is expected to be leased to only single tenant i.e. to Myntra the company is also exposed to customer concentration risk.

In FY2015-16, (refers to financial year, April 1 to March 31), Rural Infrastructure has acquired land parcel in Thane, Maharashtra to construct developed Non-Agricultural (NA) plots by FY2016-17 at an estimated cost of ~Rs.11.00 crore. Out of the estimated total cost around Rs. 8.00 crore (i.e. ~73%) is expected to be funded through unsecured loans from promoters and the balance from customers advances. The company is exposed to project execution risk as the construction is yet to begin. Further, out of the total 90 plots to be sold, the company has received advances only for four plots. Hence, the company is also exposed to saleability risk.

The Mumbai-based Rural Infrastructure was promoted by Mr. Radheshyam Savarmal Agrawal and family. The promoter possesses experience of over two decades in the industry.

Rating Sensitivity Factors

- Timely receipt of expected lease rentals
- Timely execution of project
- Achieving bookings at the envisaged rates
- Improvement in the capital structure

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Outlook – Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the company generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the liquidity position on account of delays in project execution or collection of booking money.

About the Company

Established in 2013, Rural Infrastructure is promoted by Mr. Radheshyam Savarmal Agrawal and family. The company plans to lease out its warehouse at Bhiwandi, Maharashtra to Myntra Designs Private Limited by the end of July, 2016. Further, the company also plans to undertake project construction on non-agricultural plots in Shahapur, Thane, Maharashtra.

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