

Royal Realtors: Assigned

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Term Loan	27.00	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** on the Rs.27.00 crore bank facility of Royal Realtors. The outlook is '**Stable**'. The rating draws supported from the experienced management and locational advantage. However, the rating is constrained by project execution risk, moderate bookings and low customer advances. The rating is also constrained by the intense market competition and cyclicity in the real estate sector.

Royal Realtors established in 2006, is a Mumbai based firm engaged in real estate development with focus on redevelopment projects. The firm benefits from its experienced management. The promoters possess experience of around two decades in the real estate industry and have been associated with the Royal Group that has successfully executed around 12 projects since 1992.

Royal Pearl is a redevelopment project, at Malad, a prime area in Mumbai. The project entails construction of a tower with two wings of 20 and 16 floors respectively and a total of 118 flats. The project is expected to be completed by September 2017 and possession of flats will be begin from March, 2018.

Royal Realtors is exposed to project execution risk owing to the nascent stage of construction. The total project cost is around Rs.71.88 crore to be funded through a term loan of Rs.27.00 crore, promoter's contribution/quasi equity of Rs.25.00 crore and advances of Rs.19.88 crore. As on date, the firm has completed around 32 per cent of the total project (Rs.22.83 crore out of Rs.71.88 crore). Moreover, the firm is also exposed to the risk of cost and time overruns arising due to rising material prices, labour shortage issues and high dependence on timely receipt of customer advances that account for 30 per cent of the project funding.

The firm has received moderate bookings for around 11 flats from the total 44 saleable flats and low advances of Rs.4.95 crore as on date. Further, it is also exposed to intense market competition from other players and is susceptible to the current slowdown in the real estate industry.

Rating Sensitivity Factors

- Timely completion of project
- Converting inventory to finished stock or realise sales
- Mobilisation of customer advances

Outlook-Stable

SMERA believes Royal Realtors will continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows through timely receipt of customer advances and increase in booking levels. Conversely, the outlook may be revised to 'Negative' if the firm faces liquidity pressure on account of delays in receipt of customer advances.

About the Firm

Royal Realtors, established in 2006, is a Mumbai-based real estate firm promoted by Mr. Premji Shah, Mr. Himmatlal Kachhara and Mr. Deven Shah. The firm is engaged in the redevelopment of residential projects in Mumbai and has executed around five projects to date. Currently, the firm is redeveloping Royal Pearl, at Malad. The project involves construction of a tower with two wings of 20 and 16 floors respectively. A total of 118 flats will be constructed with 44 flats available to existing tenants and the balance 30 to be handed over to the government as per the approved SRA Scheme. Rest 44 flats will be available for sales with Royal Realtors.

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ABOUT SMERA

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