

Radha Madhav Developers: Assigned

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Term Loan	25.00	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.25.00 crore bank facility of Radha Madhav Developers (RMD). The outlook is '**Stable**'.

The rating draws comfort from the firm's experienced management, low funding risk and healthy cash flows from comfortable bookings and advances. However, the rating is constrained by risks associated with the execution of the ongoing project and saleability of un-booked units. The rating notes that the firm is susceptible to the inherent cyclical and intense competition in the real estate sector.

RMD, incorporated in 2011 benefits from its experienced management. Mr. Rajesh Agarwal and Sanjay Agarwal, Directors have experience of around a decade in the industry. The firm is into real estate development. Construction of a residential project, Vrindavan City in Nagpur is underway since April 2014 at an estimated project cost of Rs.353.96 crore.

The project is to be funded through customer advances of Rs.167.79 crore (received Rs.82.88 crore as on March 2016, i.e. ~50 per cent), bank borrowings of Rs.24.33 crore (fully deployed till date) and promoters' funds of Rs.136.43 crore (Rs. 132.43 crore has been deployed till date). It is expected to be completed by March 2017. About 71 per cent of the project (Rs.250.86 crore worth) is already complete and the firm has sold 515 units (majorly units sold include row houses and bungalows) of the total 1890 units. The total revenue expected from the project is Rs.429.00 crore (of which RMD has already received ~50% of the total revenues).

However, the firm is exposed to moderate project execution risk as around 29 per cent of the construction work is pending. RMD's project is exposed to saleability risk as the project still has significant portion of unsold units (1375 units) till date, which is intensified by the current slowdown and intense competition in the real estate sector.

Rating Sensitivity Factors

- Timely completion of the project
- Timely sale of units at envisaged price

Outlook-Stable

SMERA believes RMD will maintain a stable outlook over the medium term and 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.

About the Firm

RMD is a Nagpur-based firm promoted by Mr. Rajesh Agarwal and Sanjay Agarwal in 2011. The firm is engaged in real estate development.

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ABOUT SMERA

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