

Press Release

26 July, 2017

Radha Madhav Developers (RMD)

Rating Assigned and Downgraded



Total Bank Facilities Rated *	Rs. 50.00 Cr
Long Term Rating	SMERA BB-/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating on the Rs. 25.00 crore bank facility to **SMERA BB- (read as SMERA double B minus)** from SMERA BB (read as SMERA double B) and assigned **SMERA BB- (read as SMERA double B minus)** on the Rs. 25.00 crore bank facility of Radha Madhav Developers (RMD). The outlook is '**Stable**'.

RMD is a Nagpur-based firm promoted by Mr. Rajesh Agarwal and Sanjay Agarwal established in 2011. The firm is engaged in real estate development. Currently, RMD has two ongoing projects in Nagpur namely Vrindavan and Gokul.

Key Rating Drivers

Strengths

- **Experienced management**

RMD was promoted by Mr. Rajesh Agarwal and Sanjay Agarwal who possess around a decades experience in the real estate sector.

- **Moderate stage of completion**

The firm has incurred ~Rs. 274 crore, out of the total project cost of Rs. 313.46 crore on the Vrindavan Project which is expected to be completed by March 2018. Thus, the firm is exposed to moderate implementation risk. However, under the second project, Gokul, the firm incurred Rs. 2.38 crore out of a total cost of Rs. 62.50 crore. The project is expected to be completed by March 2020, thus is exposed to project implementation risk.

Weaknesses

- **Moderate booking levels and customer advances**

About 596 units have been booked in the Vrindavan project, out of a total of 1586 units (~37 per cent) as on March 31, 2017 as compared to 515 units as on 31 March, 2016. The firm received advances of Rs.140.00 crore as against expected sales proceeds of ~Rs. 175 crore as on March 31, 2017. Further, the total advances of Rs. 140.00 crore are low as compared to total sales proceedings i.e. ~Rs. 467.33 crore expected from the project.

In the Gokul project, out of the total 399 units, 263 units (~66 per cent) have been booked as on March 31, 2017. The firm received advances of Rs. 0.75 crore as against expected sales proceeds of ~Rs. 37 crore on 263 booked units.

- **Risk related to real estate sector**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. Real estate investments worldwide have been driven by one or several themes based on the economic growth. The risks associated with real estate industry are - cyclical nature of business (drop in property prices), interest rate risk etc. Furthermore, in light of the ongoing economic downturn, the sector has been facing issues on many fronts. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc resulting in stress on cash flows.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows from bookings. Conversely, the outlook may be revised to 'Negative' in case of delay in project completion or in collection thereby creating pressure on liquidity.

About the Project

Vrindavan - RMD is a residential project at Sitabuldi, Nagpur – Maharashtra. The project has 1586 flats (1 BHK, 2 BHK, 3 BHK, 6 BHK flats) with saleable area of 1,719,455 sq. ft. The total cost of the project of Rs. 313.46 crore has been funded through a term loan of Rs. 30 crore, customer advances of Rs. 173.46 crore, promoters contribution and unsecured loan of Rs. 110 crore. The project is expected to be completed by March 2018.

Gokul - RMD is a residential project at Sitabuldi, Nagpur – Maharashtra, adjacent to project Vrindavan with 399 flats (1 BHK and 2 BHK flats) and saleable area of 213,692 sq. ft. The total project cost of Rs. 62.50 crore funded is expected to be funded through term loan of Rs. 30 crore, customer advances of Rs. 15 crore and promoter's contribution of Rs. 17.50 crore. The project is expected to be completed by March 2020.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs. 1.70 crore on operating income of Rs. 38.29 crore in FY2016-17 (Provisionals) compared to PAT of Rs. 0.86 crore on operating income of Rs. 24.83 crore in FY2015-16. The net worth stood at Rs. 93.91 crore as on 31 March, 2017 (Provisionals) as against Rs. 90.81 crore as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Services Entities - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jul-2016	Term Loan I	Long Term	INR 25.00	SMERA BB / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan I	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BB- / Stable (Downgraded)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BB- / Stable (Assigned)

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ABOUT SMERA

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