

## Press Release

**Radha Madhav Developers**

October 05, 2018



### Rating Downgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 50.00 Cr.
<b>Long Term Rating</b>	ACUITE B+/Stable

\*Refer Annexure for details

#### Rating Rationale

Acuité has downgraded long term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**Acuite BB-**' (**read as ACUITE double B minus**) to the above mentioned Rs.30.00 crore bank facilities of Radha Madhav Developers (RMD). The outlook is '**Stable**'.

Further, Acuité has also withdrawn long term rating of '**Acuite BB-**' (**read as ACUITE double B minus**) on the Rs.25.00 crore bank facilities and assigned long term rating of **ACUITE B+ (read as ACUITE B plus)** to Rs.20.00 crore proposed bank facility. The outlook is '**Stable**'.

Rating has been downgraded on account of decline in booking in Gokul project and delay in completion of Vrindavan project from expected completion date.

RMD was set up in 2013 by Mr. Rajesh Agarwal, Mr. Sanjay Agarwal, and their family members. The firm undertakes residential real estate development. Its ongoing project, Vrindavan and Gokul, are spread across 111 acres in Nagpur (Maharashtra).

#### Analytical approach

Acuité has considered standalone business and financial risk profile of RMD to arrive at the rating.

#### Key Rating Drivers:

##### **Strengths:**

##### **Experienced management:**

The management of the firm has experience of more than a decade in real estate industry.

##### **Moderate stage of completion:**

The firm has incurred ~Rs.337.99 crore, out of the total project cost of Rs.427.12 crore on the Vrindavan Project which is expected to be completed by December 2018. Thus, the firm is exposed to moderate implementation risk. However, under the second project, Gokul, the firm has incurred Rs.29.78 crore out of the total cost of Rs.62.50 crore. The project is expected to be completed by December 2021.

##### **Weaknesses:**

##### **Moderate booking levels and customer advances:**

The Vrindavan project has low booking level of ~40 percent as on August 2018 as compared to 35 percent as on June 30, 2018. Further, the booking in Gokul project had declined to 59.65 percent from 65.91 percent due to cancellation of booked flats.

##### **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, among others. 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, resulting in stress on cash flows.

### Outlook: Stable

Acuite believes that RMD 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 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 Rated Entity- Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.33	41.45	24.83
EBITDA	Rs. Cr.	5.20	5.88	6.65
PAT	Rs. Cr.	0.34	0.52	0.86
EBITDA Margin	(%)	20.55	14.19	26.76
PAT Margin	(%)	1.35	1.26	3.47
ROCE	(%)	3.05	3.51	4.73
Total Debt/Tangible Net Worth	Times	0.64	0.83	0.71
PBDIT/Interest	Times	1.13	1.16	1.19
Total Debt/PBDIT	Times	11.73	12.82	9.40
Gross Current Assets (Days)	Days	3,728	2,279	3,745

### Status of non-cooperation with previous CRA:

Not Applicable

### Any other information

None

### Applicable Criteria

- Real estate entities: <https://www.acuite.in/view-rating-criteria-41.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.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. Crore.)	Ratings/Outlook
26-Jul-2017	Term Loan-I	Long term	25.00	ACUITE BB-/Stable (Downgraded)
	Term Loan-II	Long term	25.00	ACUITE BB-/Stable (Assigned)
04-Jul-2016	Term Loan	Long term	25.00	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	30.00 (enhanced from Rs.25.00 cr)	ACUITE B+/ Stable (Downgraded from ACUITE BB-/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE B+/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB-/ Stable (Withdrawn)

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**About Acuité Ratings & Research:**

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