



Press Release
Radha Madhav Developers
May 25, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of **ACUITE BB- (read as ACUITE Double B minus)** on Rs.30.00 crore bank facility of Radha Madhav Developers (RMD). The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating reaffirmation is primarily on account of RMD's steady sales and collection traction in Vrindavan project over the past 17 months through March 2023. A new project, Vrindavan Phase 3, a residential plots-based project launched in March 2022, has registered healthy sales traction of 28% within the first year of its launch. This has helped the firm to improve its liquidity position. The Gokul project registered low sales traction during the same period. The rating also draws comfort from the promoter's extensive experience in the regional (Nagpur) real estate segment. The rating is constrained on account of lower sales traction from Gokul project and execution risk for Vrindavan project as the scheduled completion is in FY2029. The sustenance of the sales and collection traction and timely completion of ongoing projects will remain a key rating sensitivity.

About the Company

Radha Madhav Developers (RMD) is a partnership firm set up in the year 2013 by Mr. Rajesh Agarwal, Mr. Sanjay Agarwal, and their family members that undertakes residential real estate development projects in Nagpur, Maharashtra region. The firm is currently executing 3 projects – Vrindavan, Gokul and Vrindavan Phase-3 which are spread across a total land bank of 113 acres in Nagpur (Maharashtra).

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management and strong brand presence in the Nagpur region

RMD is engaged in developing residential real estate development projects and it has an established operational track record of over a decade. The firm is currently managed by its partners Mr. Rajesh Agarwal and Mr. Sanjay Agarwal who possesses more than a decade of experience in the real estate industry. The partners are being supported by its team of experienced professionals in managing day to day operations of RMD. The extensive experience of the partners has enabled RMD to establish a healthy relationship with the

contractors and the material suppliers.

Acuité believes that the partners experience in the construction and real estate industry and improving demand for the residential units in Nagpur area are expected to support in a

successful sale of the units, and timely completion of the projects.

Healthy sales traction in Vrindavan Phase 3 and steady sales traction in Vrindavan Project

Vrindavan phase 3, a residential plot-based project launched in March 2022 has registered a healthy sales traction of over 28% area sold within first year of its launch. Due to its plot-based nature, going forward, the firm is expected to maintain healthy sales traction. Vrindavan, the township project registered steady sales traction at 54 percent as of March 2023 against 46 percent 17 months ago. However, the collections percentage has fallen to 63 percent against 90 percent during the same period, owing to the township nature of the project, wherein the sales and collections for the units happen at different stages of construction.

Weaknesses

Lower sales traction from Gokul Project and execution risk in Vrindavan Project.

RMD has fully completed construction of its Gokul project in September 2020 and as of March 2023 has an overall cost overrun of ~35 percent. Also, there has been a marginal increase in the area sold over the past 17 months ending March 2023.

Vrindavan project has registered a growth of 5.6 percent in term of construction cost incurred over the past 17 months ending March 2023. Approximately 34 percent of the construction cost is yet to be incurred in this project through the year FY2029, envisaging execution risk for the same. The slower pace of construction underlines the execution risk in the project.

Susceptibility to Real Estate Cyclicity and Regulatory Risks

The real estate industry in India is highly fragmented with most of the real estate developer having a city-specific or region-specific presence. The real estate industry is cyclical in nature of business and subject to price and interest rate risk, among others. Further, the industry is also exposed to regulatory risk, which can impact project execution.

Rating Sensitivities

Lower than expected sales traction leading to increased dependence on debt funding.

Deterioration in liquidity position, by slackened saleability of project or delays in project execution.

Material covenants

None

Liquidity Position Adequate

RMD is expected to generate cash surplus in the range of Rs.6.9 Cr. – Rs.34.77 Cr during FY24 and FY25. Sales and collection traction from Vrindavan has been steady and healthy in Vrindavan Phase 3. RMD's ability to maintain sales and collection traction in Vrindavan and Vrindavan Phase 3 alongside improvement in traction from its Gokul project will be key in RMD's ability to generate cash surplus at the expected levels. As of March 2023, Rs.6.80 crore is outstanding term loan to be repaid towards its Gokul Project. Further, company plans to not undertake additional funding from bank but would rely on unsecured loans from family and friends as and when required.

Outlook:Stable

Acuité believes that the RMD will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and strong brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the Vrindavan project and prepaying the debt further towards Gokul project. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the Vrindavan project, or less-than expected bookings and advance leading to stretch on its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.37	24.83
PAT	Rs. Cr.	0.45	0.05
PAT Margin	(%)	0.83	0.19
Total Debt/Tangible Net Worth	Times	0.70	0.77
PBDIT/Interest	Times	1.15	1.05

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

CARE vide its press release dated 14 October 2022, has mentioned the rating of RMD to 'CARE B-/Stable' Downgraded (Issuer Not Cooperating).

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Feb 2022	Term Loan	Long Term	30.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Proposed Bank Facility	Long Term	20.00	ACUITE BB- (Withdrawn)
26 Nov 2020	Term Loan	Long Term	30.00	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	20.00	ACUITE B+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	23.20	ACUITE BB- Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.80	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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