



Press Release

RADHA MADHAV DEVELOPERS

June 27, 2023

Rating Reaffirmed & Withdrawn and Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-------------------------------------|-------------------|
| Bank Loan Ratings | 6.80 | ACUITE BB- Reaffirmed & Withdrawn | - |
| Bank Loan Ratings | 23.20 | Not Applicable Withdrawn | - |
| Total Outstanding Quantum (Rs. Cr) | 0.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 30.00 | - | - |

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of 'ACUITE BB-' (read as ACUITE BB minus) on the Rs 6.80 Cr. bank facilities of Radha Madhav Developers (RMD).

Also Acuite has withdrawn the long term proposed bank facilities of Rs 23.20 Cr. of Radha Madhav Developers. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Rating 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

Not Applicable

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 |
|-------------|--------------------------------|-----------|-----------------|--|
| 25 May 2023 | Proposed Bank Facility | Long Term | 23.20 | ACUITE BB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 6.80 | ACUITE BB- Stable (Reaffirmed) |
| 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 | Not Applicable Withdrawn |
| Punjab and Sind Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 6.80 | ACUITE BB- Reaffirmed & Withdrawn |

Contacts

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About Acuité Ratings & Research

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