

### Rikki Ronie Developers: Reaffirmed

Facility	Amount (Rs. Crore)	Rating/Outlook
Term Loan	91.00	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.91.00 crore bank facility of Rikki Ronie Developers (RRD). The outlook is '**Stable**'. The rating continues to be constrained by risks associated with the execution of the ongoing project and saleability of the un-booked units. The rating is also constrained by the firm's dependence on external funding for the project. However the rating draws support from the experienced management and locational advantage.

#### Update

RRD, part of the Royal Group was established in 2006. The company is engaged in real estate development and has undertaken construction of a residential-cum-public housing project 'Royal Oasis' at Malad West, Mumbai. The project entails construction of two towers. As per the agreement with the Government, RRD is to provide 140 flats to the government free of cost with the balance 486 flats available for sale. The civil work that commenced in February, 2014 is expected to be completed by March 2018.

Out of the two towers, construction of Building 2 has been completed before schedule and occupancy certificate is expected by July end while construction of upto 14th floor of Building 1 has been completed so far. The rest of the project has been delayed due to delays in statutory approvals pushing the completion date to March 2018.

The revised project cost of Rs.258.50 (as against Rs.247.98 crore earlier), would be funded through promoters funds of Rs.74.34 crore, term loan of Rs.91.00 crore and customer advances of Rs.93.16 crore. The firm has incurred 60 per cent of the envisaged project cost of Rs.154.96 crore (from promoter's funds of Rs.52.72 crore, term loan of Rs.57.44 crore and customer advances of Rs.44.80 crore). The company has sold 132 units out of the total of 486. The project continues to be highly dependent on customer advances and external borrowings that comprise 71 per cent of the total cost.

#### Rating Sensitivity Factors

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

#### Outlook-Stable

SMERA believes that the firm will maintain a stable outlook over the medium term backed by an experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows as anticipated through customer advances from bookings. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution. Any delay in collections from bookings may also entail a 'Negative' outlook creating pressure on liquidity.

**About the Project**

RRD has undertaken a PHP (Public Housing project) project- Royal Oasis in Malad, Mumbai that involves construction of two buildings of 15 and 21 storeys out of which 140 units in the 15 storey building will be reserved for public housing under the rehabilitation scheme.

The total project cost, estimated to be Rs.247.98 crore has been revised to Rs 258.50 to be funded through promoter's funds of Rs.74.34 crore, term loan of Rs.91.00 crore and customer advances of Rs.93.16 crore.

The cost incurred so far is Rs.154.96 crore, from promoter's funds of Rs.52.72 crore, term loan of Rs.57.44 crore and customer advances of Rs.44.80 crore. Construction work on the project began in February 2014 and is expected to be completed by March 2018.

**About the Company**

RRD, established in 2006, is a Mumbai based partnership firm engaged in the real estate business.

**Rating History**

<b>Date</b>	<b>Name of the Instrument</b>	<b>Amount (Rs. Crore)</b>	<b>Rating</b>		<b>Rating/Outlook</b>
			<b>Long Term</b>	<b>Short Term</b>	
28 May, 2015	Term Loan	91.00	SMERA B+ (Assigned)	-	Stable

**Contacts:**

<b>Analytical</b>	<b>Business Development</b>
Mr. Mohit Jain Vice President – Ratings Operation Tel: +91-22-6714 1105 Cell: +91-9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

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