

Press Release

RIKKI RONIE DEVELOPERS

November 29, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs. 91.00 Cr.
Long Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA D**' (**read as SMERA D**) on the Rs. 91.00 crore bank facilities of RIKKI RONIE DEVELOPERS.

The rating has been downgraded on account of irregularity in the repayment of interest on term loans due to a weak liquidity. Established in 2006, Rikki Ronie Developers (RRD) is a Mumbai-based real estate firm established by Mr. Ashok Bohra, Mr. Deven Shah, Mr. Himmatal Kachhara, Mr. Nagji Rita, Mr. Premji Shah and Mr. Virji Gada.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is led by Mr. Premji Shah and Mr. Deven Shah. The promoter has extensive experience in the real estate business.

- **Locational advantage**

The firm has undertaken development of Royal Oasis, a project located near Malad railway station and 30 minutes from the Western Express highway. Primarily, a residential area, the locality is preferred by the middle class and upper middle class.

Weaknesses

- **Delays in debt servicing**

There has been irregularity in the repayment of interest on term loans due to a weak liquidity.

- **Inherent cyclicity in the construction 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. The risks associated with real estate industry are - cyclical nature of business (drop in property prices), interest rate risk etc. that can affect operations.

- **Stiff competition from new and ongoing projects in the vicinity**

The project is being constructed in one of the prominent areas in the city with several commercial and residential projects around. As a result, the competition is intense.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profile of RRD.

Outlook:

About the Project

RRD has undertaken a PHP (Public Housing project) project- Royal Oasis in Malad, Mumbai. The firm plans to construct two buildings of 15 and 21 storeys. About 140 units in the 15 storey building is expected to be reserved for public housing under the rehabilitation scheme. 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. 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.

About the Rated Entity - Key Financials

For FY2016-17, RRD reported net profit of Rs. 1.31 crore (Provisional) on operating income of Rs.39.98 crore compared to net profit of Rs.0.74 crore on operating income of Rs.31.45 crore in FY2015-16. The net worth stood at Rs.28.09 crore as on 31 March, 2017 as against Rs.28.47 crore a year earlier.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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
16-Aug-2016	Term Loan	Long Term	INR 91	SMERA B+ / Stable
28-May-2015	Term Loan	Long Term	INR 91	SMERA B+ / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	48.00	SMERA D
Term loans	Not Applicable	Not Applicable	Not Applicable	43.00	SMERA D

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ABOUT SMERA

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