

Press Release

Rikki Ronie Developers

November 06, 2018



Rating Withdrawn and Assigned

Total Bank Facilities Rated*	Rs.91.00 Cr.
Long Term Rating	ACUITE D (Withdrawn)

Total Bank Facilities Rated*	Rs.91.00 Cr.
Proposed Long Term Rating	ACUITE B-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE D**' on the bank facilities of RIKKI RONIE DEVELOPERS (RRD). Acuité has also assigned the rating of '**ACUITE B-/Stable**' to the Rs. 91.00 crore proposed long-term bank facilities of RIKKI RONIE DEVELOPERS (RRD).

The rating on the term loans has been withdrawn based on withdrawal request by RRD and 'No-dues certificate' issued by the bankers.

Established in 2006, Rikki Ronie Developers (RRD) is a Mumbai-based real estate firm established by Mr. Ashok Bohra, Mr. Deven Shah, Mr. Himmatlal Kachhara, Mr. Nagji Rita, Mr. Premji Shah and Mr. Virji Gada.

Key Rating Drivers:

Strengths

Experienced management

RRD is promoted by Mr. Ashok Bohra, Mr. Deven Shah, Mr. Himmatlal Kachhara, Mr. Nagji Rita, Mr. Premji Shah and Mr. Virji Gada who has extensive experience in the real estate industry. RRD is part of Royal Group which is in real estate business since 1992. It has developed about eight projects of more than a million square feet of built up residential space. Currently, RRD is developing a project under joint development agreement. The cost of the project is about Rs.231.6 crores funded out of term loans; and currently the same are repaid and replaced with debentures raised by the group entity. Acuité believes that the company's established track record of successful project execution and brand presence along with demonstrated capability will continue to support its business risk profile over near to medium term.

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. The project construction is completed to an extent of about 87 per cent as of September 30, 2018. Acuité believes that the project construction is likely to be completed in the next 3-6 months.

Weaknesses

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Susceptibility to real estate cyclicity and regulatory risks

RRD is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk as the company has major presence in executing SRA scheme projects in which majority of the time goes into evacuating the slum dwellers and getting necessary approvals from the authorities. These factors are likely to impact players like RRD thereby impacting its operating capabilities.

Moderate bookings

Total saleable area under construction is 1,77,151.65 sq. ft. out of which 66 per cent has been sold as on date. Total sales value is Rs.274.23 crore against which customer advances received is 50 per cent. Any undue delay in advances or impact on sales may impact the timely redemption of debentures in medium term.

Outlook: Stable

Acuité believes that RRD will maintain a stable outlook over medium term on account of established track record. The outlook may be revised to positive in case the company achieves significantly higher than expected customer advances and flat books while timely completion of the project. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances or in case of delay in project execution which may further increase the dependence on refinancing of debt.

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. 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 by RRD. The civil work that commenced in February, 2014 is expected to be completed by December 2018. The total project cost, estimated to be Rs.231.60 crore funded through promoter's funds of Rs.80.00 crore.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	56.04	40.04	31.45
EBITDA	Rs. Cr.	16.11	15.49	11.21
PAT	Rs. Cr.	2.11	1.31	0.74
EBITDA Margin	(%)	28.75	38.68	35.64
PAT Margin	(%)	3.76	3.28	2.35
ROCE	(%)	14.54	14.60	14.21
Total Debt/Tangible Net Worth	Times	4.08	2.92	2.47
PBDIT/Interest	Times	1.28	1.17	1.13
Total Debt/PBDIT	Times	5.44	5.29	6.25
Gross Current Assets (Days)	Days	895	1213	1341

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Real Estate Sector – <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-33.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Nov-2017	Term Loan	Long Term	INR 48.00	ACUITE D (Downgraded)
	Term Loan	Long Term	INR 43.00	ACUITE D (Downgraded)
16-Aug-2016	Term Loan	Long Term	INR 91.00	ACUITE B+/Stable (Reaffirmed)
28-May-2015	Term Loan	Long Term	INR 91.00	ACUITE B+/ Stable (Assigned)

*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 Loan	Not Applicable	Not Applicable	Not Applicable	48.00	ACUITE D (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	43.00	ACUITE D (Withdrawn)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	91.00	ACUITE B-/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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