

Press Release

Rikki Ronie Developers

February 15, 2019

Rating Upgraded and Withdrawn



Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B-/Stable)
Total Bank Facilities Withdrawn*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from **ACUITE B-** (read as **ACUITE B minus**) on the Rs. 80.00 crore bank facilities of Rikki Ronie Developers (RRD). The outlook is 'Stable'.

Acuite has withdrawn the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 11.00 Crore proposed bank facilities of RRD. The rating on the proposed bank facilities has been withdrawn based on withdrawal request by RRD.

The rating revision mainly reflects low execution risk of the project with 97 per cent of the overall cost been incurred as on December 31, 2018. The firm has shown the ability to attract demand for its project and has garnered sales of 73 percent of the overall saleable area thereby generating sales proceeds of Rs.157.91 Cr. as on December 31, 2018. Further, the rating factors in pressures on the cash flows of the project to service upcoming debt obligation.

RRD, is a Mumbai -based real estate firm established in 2006 by Mr. Deven Shah along with other partners. The firm is a part of Mumbai based Royal Group which has completed 8 projects till date. The firm is presently developing a residential project, 'Royal Oasis' located in Malad East.

Analytical Approach

Acuite has considered standalone business and financial risk profiles of RRD to arrive at the rating.

Key Rating Drivers

Strengths

• Demonstrated execution and selling abilities:

RRD is promoted by Mr. Ashok Bohra, Mr. Deven Shah, Mr. Himmatlal Kachhara, Mr. Nagji Rita, Mr. Premji Shah and Mr. Virji Gada who have extensive experience in the real estate industry. RRD is a part of Royal Group which is in real estate business since 1992. The group has developed eight projects with built up more than a million square feet as on December 2018. Presently, RRD is developing a residential project in Malad East. The cost of the project is Rs.231.60 crore of which Rs. 212.29 cr. (~97 percent) has already been incurred as on December 2018. The firm has demonstrated its ability to complete the project in a timely manner. The project is RERA registered with revised completion date of December 31, 2019. Considering the advanced stage of construction there exists a limited execution risk. The firm has attracted demand for its project as reflected in strong traction in customer advances with Rs. 157.91 Cr. already received and Rs. 33.22 Cr. is receivable on sold flats. The firm has sold 73 percent of the overall saleable area.

Acuite believes that RRD will continue to benefit from established position of the promoters in the industry.

• 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.

Weaknesses

• Susceptibility to real estate cyclicality 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. These factors are likely to impact players such as RRD, thereby impacting its operating capabilities. Given the sluggish scenario in the real estate sector, the firm's cash flows are likely face pressures in order to service the debt obligation. The firm has interest obligation of Rs. 7.78 Cr. to be paid by March 31, 2019. The timely servicing of debt obligation will depend on firm's ability to generate future cash flows from the project. Acuite believes that the firm's ability to generate adequate cash flows for timely servicing of debt obligations will remain a key rating sensitivity.

Liquidity position

The firm financed this project by raising funds of Rs. 77 Cr. through a Special purpose vehicle, Rikki Ronnie Developers Private Limited. RRD is a co obligor to the NCD and the proceeds from this project is linked to an ESCROW account in order to service the NCD obligation. The firm has interest obligation of Rs. 7.78 Cr. payable in March 31, 2019. The servicing of interest obligation is completely dependent on adequate generation of cash flows.

Outlook: Stable

Acuite believes that RRD will maintain a 'Stable' outlook over medium term on account of established track record of promoters in the industry. The outlook may be revised to 'Positive' in case the firm achieves significantly higher than expected customer advances, while attaining timely completion of the project. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances further impacting the repayment ability of upcoming maturities.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	55.97	40.04	31.45
EBITDA	Rs. Cr.	16.11	15.49	11.21
PAT	Rs. Cr.	2.10	1.31	0.74
EBITDA Margin	(%)	28.78	38.68	35.64
PAT Margin	(%)	3.76	3.28	2.35
ROCE	(%)	14.54	14.60	22.38
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	897	1213	1341

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Nov-2018	Term Loan	Long Term	48.00	ACUITE D (Withdrawn)
	Term Loan	Long Term	43.00	ACUITE D (Withdrawn)
	Proposed Bank Facility	Long Term	91.00	ACUITE B- / Stable (Assigned)
29-Nov-2017	Term Loan	Long Term	48.00	ACUITE D (Downgraded from ACUITE B+/Stable)
	Term Loan	Long Term	43.00	ACUITE D (Downgraded from ACUITE B+/Stable)
16-Aug-2016	Term Loan	Long Term	91.00	ACUITE B+ / Stable (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE B+ / Stable (Upgraded from ACUITE B-/Stable)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE B+ (Withdrawn)

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About Acuité Ratings & Research:

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