

Rajheramb Properties (Assigned)

Facilities	Amount (Rs Crore)	Rating/Outlook
Term Loan I	3.11	SMERA BB/Stable (Assigned)
Term Loan II	20.89	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the abovementioned bank facilities of Rajheramb Properties (RP). The outlook is '**Stable**'. The rating draws comfort from the firm's experienced management, high booking levels, advanced stage of project completion and low funding risk. However, the rating is constrained by the slowdown in the realty sector, moderate debt servicing capability and proprietorship constitution of the firm.

Rajheramb Properties is a proprietorship firm established in 2004 by Mr. Pravin V Patil who possesses experience of around two decades in the construction industry. The firm has executed several real estate projects in Pune including Regalia Residency and Venkatesh Imperia. Presently, the firm is developing yet another residential project, Hallmark Avenue at a total cost of Rs.111.70 crore to be funded through promoter's fund of Rs.41.94 crore, term loan of Rs.24.00 crore and customer advances of Rs.45.76 crore. As on June 30 2016, while the firm collected the envisaged customer advances, it has received only part of the promoter's contribution of Rs.0.75 and term loan of upto Rs.16.50 crore with the balance still awaited. Thus, the completion of the project is dependent on promoter's funds thereby reducing funding risk. RP incurred cost of Rs.72.25 crore in Hallmark Avenue i.e. 65 per cent of the total project cost. The project registered ~72 per cent bookings and is expected to be completed by March 2017.

The firm completed 'Regalia Residency (Phase 1)' in March 2015 and 'Venkatesh Imperia' in July 2016 registering bookings of ~65 per cent and ~72 per cent respectively.

However, the firm is exposed to saleability risk which is intensified by the current slowdown in the real estate sector. The firm has moderate debt servicing capabilities. The repayment of the term loan, payable in 36 monthly instalments began from August 2016. This is dependent on cash accrual from saleability of unsold inventory of the project. The rating also notes the proprietorship constitution of the firm with risk of capital withdrawal at will.

Rating Sensitivity Factors

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

Outlook - Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows as per anticipated customer advances from bookings. Conversely, the outlook may be revised to 'Negative' in case of delays in executing the project or with regard to receipt of collection, thereby creating pressure on liquidity.

About the Firm

RP, established in 2004 by Mr. Pravin V Patil is a proprietorship firm engaged in real estate development. The firm has completed six projects in Pune on a total construction area of over 8 lakh square feet. The development of a 1BHK and 2BHK residential project, 'Hallmark Avenue' is underway at Pune-Chinchwad.

The firm books revenue on project completion basis. It reported profit after tax of Rs.6.91 crore on operating income of Rs.28.88 crore in FY2015-16 (provisional).

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1156 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.