Press Release

RAJHERAMB PROPERTIES

07 December, 2017

Rating Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' **(read as SMERA BB minus)** on the Rs. 24.00 crore bank facilities of Rajheramb Properties. Further, SMERA has withdrawn the rating of SMERA BB/Stable on the Rs. 24 .00 crore bank facilities of Rajheramb Properties. The outlook is **'Stable'**.

RajHeramb Properties, is a Pune-based real estate firm established in 2004 by Mr. Pravin Vishwanath Patil. The firm has completed six projects in Pune on a total construction area of more than 8 lakh square feet. It is currently developing Phase-I of Hallmark Avenue, a residential project. The total project cost is Rs.142.82 crore. Additionally, the firm is also developing Phase 3 of Regalia Residency and Venkatesh Imperia, located at Bhavdan, Pune.

Key Rating Drivers

Strengths

- **Experienced management**
  RajHeramb Properties is a proprietorship concern established in 2004 by Mr. Pravin V Patil. The promoter has experience of over two decades in the real estate industry.

- **Low funding risk**
  The Hallmark Avenue (Phase I) project is at an advanced stage of construction. The estimated project cost is Rs. 142.82 crore, to be funded through customer advances of Rs. 82.16 crore, bank borrowings of Rs. 24.00 crore and promoter's funds of Rs. 36.66 crore. As on 31 July 2017, the firm incurred cost of Rs. 101.46 crore (71 per cent of total project cost), of which Rs. 14.58 crore was funded through a bank loan, Rs. 75.39 crore from customer advances and the rest through promoter's fund.

Weaknesses

- **Delay in project execution and lower than expected booking levels**
  The Hallmark Avenue project was scheduled to complete by March 2017. However, the project got delayed with approvals yet to come in and slowdown in the industry. Phase one is expected to be completed by September 2018 and the second phase is expected to be over by December 2018. As on 30 July 2017, the firm incurred cost of Rs. 101.46 crore, (around 71 per cent of the total cost). The firm has received bookings for 266 flats out of 351 as on 30th July 2017 for Hallmark Avenue as against 255 flats as on 30 June 2016. Thus there exists a slowdown in the pace of project execution and bookings.

- **Inherent cyclicality 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 the real estate industry - cyclical nature of business (drop in property prices), interest rate risk etc. can affect the operations of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

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 from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the liquidity position on account of delays in project execution or collection of booking money.

About the Project

'Hallmark Avenue', a residential project at Pune, Maharashtra of 351 flats is being constructed on saleable area of 320932 sq. ft. The firm is implementing the project phase wise. Approximately 85 per cent work on Phase 1 comprising 8 buildings is over while around 40 percent work has been completed on Phase- II of the project which has one building of 10 slabs and 47 units. The total project cost is Rs. 142.82 crore funded through promoters' capital of Rs. 36.66 crore, cash credit of Rs. 24 crore and Rs. 82.16 crore from customer advances. The total sale proceeds expected is Rs. 160 crore.

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

CARE has been seeking information from Rajheramb Properties to monitor the rating vide e-mail communications/letters dated November 11, 2017, November 06,2017, September 12, 2017, September 07, 2017 and September 04, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on Rajheramb Properties bank facilities will now be denoted as CARE BB; ISSUER NOT COOPERATING*.

Any other information

Not Applicable

Applicable Criteria

- DefaultRecognition - 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. Crore)	Ratings/Outlook
08-Sep-2016	Term Loan	Long Term	INR 3.11	SMERA BB / Stable (Assigned)
	Term Loan	Long Term	INR 20.89	SMERA BB / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.11	SMERA BB/Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.89	SMERA BB /Stable (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	SMERA BB-/Stable (Assigned)

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ABOUT SMERA

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