

## Press Release

### Sai Radha Developers

September 05, 2018



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 10.90 crore
<b>Long Term Rating</b>	ACUITE BB/ Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 10.90 crore bank facilities of Sai Radha Developers (SRD). The outlook is '**Stable**'.

Established in 1996, SRD is a Karnataka-based real estate firm promoted by Mr. Manohar Shetty. It is into development of real estate projects in and around Udupi and Manipal in Karnataka. The firm has completed around 15 residential and two commercial projects as on date and is developing 2 residential projects presently in the name of 'Green valley' and 'Sai Radha Nest' with total saleable area of 4.36 lakh square foot (sq ft) to construct 272 units, which include Villas, 2-bhk and 3-bhk apartments.

#### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of SRD to arrive at this rating.

#### **Key Rating Drivers:**

##### **Strengths:**

- Promoter's extensive experience**

The Promoter has two decades of experience in the real estate industry. The experience has helped the firm in successful completion of 15 residential projects in the past in and around Hyderabad city. The firm is presently having two on-going projects in Manipal with a super built up area of about 4,36,379 square feet (sq ft). It is for development of residential apartments/Villas. The construction started in April, 2016 and is near to completion. Acuité believes that the promoter's experience in the real estate industry is expected to support in successful sale of the units, and timely completion of the project.

- Low funding risk**

The firm is currently developing two projects at a cost of about Rs.86.18 crore. The project has received customer advances of Rs.82.60 crore as on 31 March, 2018 and is funded through term loan of Rs.10.90 crore. With the funds in place and disbursed, the average physical construction of the project is above 94 percent. Acuité believes that with adequate funds in place and 57 percent of customer advances of the total sale value of Rs.169.29 crore in place, it leaves a larger scope for financial flexibility and charging premium on commencement of sale of the space for SRD.

### Weaknesses:

- **Inherent cyclical in Real Estate 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 in nature in terms of drop in property prices partly attributed to piling of high inventory of flats, commercial space, economic downturn, building material availability issues, among others. Acuité believes that the firm is also exposed to this cyclical which may affect the timely realisation of the advances from the buyers.

### Outlook:

Acuité believes that the firm will maintain a 'Stable' business risk profile over the medium term on the back of experienced promoter and long operational track record in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers and sale position resulting in adequate cash flows. Conversely, the outlook may be revised to 'Negative' in case of any stretch in the project cash flows from the units already sold or higher-than-expected investment in new projects leading to stretch on its liquidity.

### About the Rated Entity Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.41	27.50	44.01
EBITDA	Rs. Cr.	6.85	7.62	8.65
PAT	Rs. Cr.	0.33	0.23	0.71
EBITDA Margin	(%)	25.92	27.70	19.65
PAT Margin	(%)	1.27	0.85	1.62
ROCE	(%)	12.03	13.19	14.71
Total Debt/Tangible Net Worth	Times	2.20	2.83	8.82
PBDIT/Interest	Times	1.13	1.14	1.22
Total Debt/PBDIT	Times	5.10	5.22	4.58
Gross Current Assets (Days)	Days	1075	941	603

### Status of non-cooperation with previous CRA:

None

### Any other information:

None

### Applicable Criteria

- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-4.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years):

Not Applicable

**\*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	10.90	ACUITE BB/Stable (Assigned)

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**About Acuité Ratings & Research:**

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