

## Press Release

Sai Radha Developers

December 27, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 16.00 Cr. (Enhanced from Rs. 10.90 crore)
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 16.00 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 engaged in 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 nearing completion of 2 more 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. The firm has started a new project in August 2019 named 'Sai Radha Prakruthi' with total saleable area of 1.15 lakh sq. ft area to construct 119 units.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### • Promoter's extensive experience

The Promoter has around 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. The firm is presently developing two on-going projects in Manipal with a built up area of ~4.36 lac square feet (sq ft). The project comprises of residential apartments/Villas. The construction started in April, 2016 and is near to completion. Acuite 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

SRD is currently executing a project, 'Sai Radha Prakruthi' located at Udupi for which all of required clearances have already been done. The total cost of the project is ~Rs. 24.90 crore. Out of the total construction area of 1.15 lakh sq. ft. the company has acquired the land and construction yet to be started. On-going projects Sai Radha Nest and Green valley is expected to be completed by February 2020. For Green valley and Sai Radha Nest the construction cost spent as on October 2019 stood at Rs. 63.78 crore (~98%) and Rs. 25.14 Crore (~90%). The sales traction towards this project has remained in lines with the construction pace of the project. The total saleable area of the project green valley and Sai Radha Nest stood at 2.95 lakh sq. ft. and 1.40 lakh sq. ft. The booking levels stood at ~98 per cent of the total saleable area. However, the customer advance received as on 30th October 2019 is around Rs. 64.22 crore (98% of total expected receivables) and Rs. 30.48 crore (90% of total expected receivables) for Green valley and Sai Radha Nest respectively. Hence, SRD's dependence towards customer advances will remain high for timely completion of the project. The traction in receipt of customer advances is dependent on project completion. The company's ability to execute projects as per schedule is highly dependent on timely receipt of customer advances, which forms major portion of the total funding requirement of the project.

## Weaknesses

### • Inherent cyclicity 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. Acuite believes that the firm is also exposed to this cyclicity which may affect the timely realisation of the advances from the buyers.

## Rating Sensitivities

- Any delays in execution of project
- Lower than expected customer advances for new project

## Liquidity Position: Stretched

The company has brought in Rs.8.75 crore as equity from Directors. The company has availed Rs. 22.90 crore of term loan as on 31 March, 2019. Advances received stood at Rs. 91.75 crore. Acuite believes that timely receipt of advances from sold units and proposed units for sale are key critical elements for maintaining adequate liquidity.

## Material Covenants:

None

## Outlook: Stable

Acuite 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 - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	16.51	26.41
PAT	Rs. Cr.	0.08	0.33
PAT Margin	(%)	0.47	1.27
Total Debt/Tangible Net Worth	Times	2.06	2.20
PBDIT/Interest	Times	1.04	1.13

## 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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-4.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
08-Nov-2019	Term Loan	Long Term	10.90	ACUITE BB (Issuer not Cooperating)
05-Sep-2018	Term Loan	Long Term	10.90	ACUITE BB/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 loans	Not Applicable	Not Applicable	Not Applicable	16.00 (Enhanced from Rs. 10.90)	ACUITE BB / Stable

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**About Acuité Ratings & Research:**

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