

Press Release

Rockford Structures Private Limited

D-U-N-S® Number: 87-196-0800

February 01, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) to the Rs. 20.00 crore bank facilities of Rockford Structures Private Limited (RSPL). The outlook is '**Stable**'.

RSPL is a Mumbai based company incorporated in 2007 promoted by Mr. Kantilal Shah and his son, Mr. Jitendra Shah. The company is engaged in real estate construction of residential and commercial projects within Mumbai.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter, Mr. Kantilal Shah has been associated with the real estate industry for more than four decades. The company has, under various SPVs, successfully completed projects of ~4.00 lac sq. ft. and has ongoing construction plans of more than 1.50 lacs sq. ft. Acuité believes that knowledge and experience of the management in the field and established track record of successful completion of projects will support the business risk profile of the company over near to medium term.

Weaknesses

- **Nascent stage of project completion**

RSPL is developing a residential project of redevelopment of a 3-storied building located in Dadar (Mumbai). Total saleable area of the project is 56320 sq ft which comprises of 42 flats with 2 bhk having carpet area of 650 sq ft and 3 bhk having carpet area of 950 sq ft and 6 commercial shops. RERA registration for the project is pending. RSPL has incurred ~26.63 percent (Rs.11.95 crore) of the total cost of construction (Rs.44.87 crore) till October 15, 2018. Tenants have been provided temporary accommodation and digging work is in process. The project is expected to be completed by December, 2020. The project cost is Rs. 44.87 crore and total receivables are ~Rs. 253.44 crore. The company's ability to execute projects as per schedule is highly dependent on timely receipt of regulatory approvals along with customer advances, which forms major chunk of the total funding requirement of the projects. Therefore, Acuité believes that the company's ability to execute the projects as per schedule and achieve sales will remain a key rating sensitivity.

- **High execution risk over susceptibility to Real Estate cyclical and regulatory risks**

RSPL is exposed to the cyclicalities associated with the real estate sector. The company faces 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. Recent policy changes in regulatory framework by the government have added to the stress.

Outlook: Stable

Acuité believes that RSPL will maintain a 'Stable' outlook over the medium term on account of its established presence in the industry. The outlook may be revised to 'Positive' in case the company achieves significantly higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances or in case of delay in project execution.

Liquidity statement

The company is still at initial phase of its project with nil receivables as on date. Acuité believes that RSPL will maintain moderate liquidity on the back of infusion of promoter funding in the form of unsecured loans, however the progress of the project and additional external funding requirement will remain a key monitrable.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	2.03
EBITDA	Rs. Cr.	0.00	-0.01	-0.17
PAT	Rs. Cr.	0.13	0.16	-0.58
EBITDA Margin	(%)	0.00	0.00	-8.37
PAT Margin	(%)	0.00	0.00	-28.71
ROCE	(%)	0.56	0.49	-0.15
Total Debt/Tangible Net Worth	Times	-7.43	-7.30	-12.40
PBDIT/Interest	Times	0.00	0.00	-0.08
Total Debt/PBDIT	Times	204.33	164.74	-1453.55
Gross Current Assets (Days)	Days	0	0	6505

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

None

Any other information

None

Applicable Criteria

- Real Estate Entities- <https://www.acuite.in/view-rating-criteria-41.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Manmisha Sodhi Analyst - Rating Operations Tel: 022-49294024 manmisha.sodhi@acuiteratings.in	

About Acuité Ratings & Research:

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