

Press Release

Riddhi Siddhi Construction

May 28, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 95.00 Cr.
Long Term Rating	ACUITE B/Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 95.00 crore bank facilities of RIDDHI SIDDHI CONSTRUCTION (RSC). The outlook is '**Stable**'.

RSC is a partnership firm based in Mumbai and established in the year 2004. RSC is part of the Ashapura & Options (A&O) group. The firm was established as a special purpose vehicle (SPV) for undertaking slum rehabilitation. It is currently developing a slum rehabilitation scheme in Malad (F Residencies). The firm has also tied up with F TV for branding of its projects. The project consists of 2 sale buildings, 3 rehab residential buildings, 1 school rehab building and 1 commercial rehab building.

Analytical Approach

For arriving at the ratings, Acuité has considered the standalone financial and business risk profile of RSC.

Key Rating Drivers

Strengths

• Established track record of operation and experienced management

RSC established in 2004 is part of the A&O group. The group is promoted by Chetan Bhanushali and Mr. Praveen Girish Chamaria, who have over two decades of experience in real estate development. The group came into existence in 2008-09 as Ashapura Developers and Options Developers came together with the purpose of providing affordable housing to masses vide undertaking different slum rehabilitation & re-development projects. A&O group has completed 31 commercial and residential projects together as well on a standalone basis with ~55 lakh square feet area sold.

Acuité believes that the groups established track record of successful project execution and brand presence will help the firm along with its business risk profile over medium term.

Weaknesses

• Salability and execution risk

'F-Residencies' project which is developed by RSC is 42.7 percent complete wherein of the total project cost of Rs. 579.88 crore, Rs. 323.10 core is incurred as on December 31, 2019 and ~35 percent of the total saleable area has been sold, reflecting slower pace of advances. There have been considerable delays in the execution on account of delayed receipt of regulatory approvals. The firm has completed three out of the five rehabilitation buildings. The project consists of two sale buildings. The first sale building is expected to be completed by October 2021 and the construction for the second sale building is yet to commence. RSC plans to commence the construction of second sale building by July 2020 and complete the execution by December 2023. Considering, the extent of execution and the tepid response received so far, the progress of execution of both the sale buildings is likely to remain a key rating sensitivity factor over the medium term.

The traction in receipt of customer advances is dependent on project completion. The firm's ability to execute projects as per schedule is highly dependent on timely receipt of regulatory approvals along with customer advances, which forms major portion of the total funding requirement of the projects.

• Susceptibility to real estate cyclical and regulatory risks

RSC is exposed to 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. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk which is likely to impact players like RSC thereby impacting its operating capabilities.

Liquidity Position: Adequate

The firm has adequate liquidity position marked by the moderate customer advances and receivables to its maturing debt obligations. The firm is mainly dependent on customer advances for its project funding and debt repayment. The group has outstanding debt for its project to the tune of ~Rs. 58.33 crore as on December 31, 2019. The quarterly repayment stands at Rs. 8.33 crore. The firm has Rs. 101.12 crore receivable on sold flats as on December 31, 2019.

Rating Sensitivities

- Continuation in slowdown of customer bookings and advances leading to inventory built-up will be a key rating sensitivity.

Material Covenants

None

Outlook: Stable

Acuité believes that RSC will maintain a stable outlook over medium term on account of established track record and expected increase in the demand for the affordable housing projects. 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.

About the Rated Entity – Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	30.03	45.94
Profit after Tax (PAT)	Rs. Cr.	0.67	0.22
PAT Margin	(%)	2.25	0.48
Total Debt/Tangible Net Worth	Times	2.26	2.94
PBDIT/Interest	Times	NA	NA

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities- <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

None

***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 Loan	01-Nov-2016	Not Applicable	31-Oct-2021	50.00	ACUITE B/Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE B/Stable

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About Acuité Ratings & Research:

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