

Press Release

Shree RSH Projects Private Limited

September 09, 2021

Rating Assigned



| | |
|-------------------------------------|---------------------------------|
| Total Bank Facilities Rated* | Rs.60.00 Cr. |
| Long Term Rating | ACUITE BB+/Stable (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 60.00 Cr bank facilities of Shree RSH Projects Private Limited (SRSHPPL). The outlook is '**Stable**'.

The rating assigned to SRSHPPL reflects experience of the promoter, favorable location and the willingness of the promoter to support the business through regular infusion of funds in the form of unsecured loans. These strengths are however, partly offset by the below average financial risk profile of the company, risk of project execution and exposure to the risks in the real estate industry.

About the company

Incorporated in 2010, Shree RSH Projects Private Limited (SRSHPPL) is engaged in carrying out the business of development and construction of residential and commercial projects. Currently, the company is headed by Mr. Hari Prasad Sharma, Mr. Hitesh Dani and Mr. Harshvardhan Sharma. SRSHPPL has recently completed two premium residential real estate projects "BASIL Garden" and "RSH Signature". Presently, the company has started construction of two commercial real estate projects "CREST Newtown" and "CORNER 47" in two of the prime locations in Kolkata.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SRSHPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long operational track record**

The company has a long operational track record in the real estate industry for more than a decade. In addition to this, the promoter Mr. Hari Prasad Sharma is highly experienced and actively involved in the operations of the company. Acuité believes that the long operational track record of the company and promoter's extensive understanding and expertise will support the company's growth plans going forward.

- **Financial flexibility**

The group companies have a willingness to support their businesses, demonstrated from the continuous infusion of unsecured loans and equity funds into SRSHPPL. The group has infused around Rs.61.26 Cr in the past years till FY2021 to support the business operations of the company. Acuité believes that the company shall continue to benefit from the financial, operational and management support from the Shree RSH Group in a timely manner.

Weakness

- **Below average financial risk profile**

The company's below average financial risk profile is marked by modest networth, high gearing and weak debt protection metrics. The tangible net worth of the group decreased to Rs.16.04 Cr as on March 31, 2021 from Rs.16.21 Cr as on March 31, 2020 on account of losses incurred in FY2021. Gearing of the company stood high at 4.26 times as on March 31, 2021 as against 3.47 times as on March 31, 2020. The debt of Rs.68.32 Cr consists of unsecured loan of Rs.61.26 Cr, working capital loan of Rs.5.04 Cr, working capital term loan under ECLGS of Rs.1.91 Cr and current maturity of term loan of Rs.0.11 Cr as on March 31, 2021. The weak debt protection metrics of the company is marked by Debt Service Coverage Ratio at 0.21 times as on March 31,

2020. However, the Interest Service Coverage Ratio (ICR) of the company stood strong at Rs.43.05 Cr. Acuité believes of the company that financial risk profile is expected to be improving over the medium term.

- **Project funding and implementation risk**

Recently, the company has undertaken construction of two commercial real estate projects "CREST Newtown" and "CORNER 47". The said project involves a fund outlay of around Rs.164 Cr and the scheduled project completion is expected to start from September, 2023. The expected funding pattern will be Rs. 60 Cr term loan from bank, Rs.55 Cr unsecured loan from the group companies, Rs. 35.06 Cr from customer advances and Rs.13.94 Cr from promoters' contribution. The project is yet to get financial closure thus exposing the company to significant funding risk. Moreover, any cost or time overruns in the ongoing project would adversely impact the financial risk profile of the company. Acuité believes that the timely sanction of bank borrowings and scheduled completion of the project would remain key monitorables.

- **Exposure to the risks in the Real Estate Industry**

The company 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 reduce prices.

Rating Sensitivity

- Timely receipt of customer advances
- Improvement in financial risk profile
- Scheduled completion of project

Material Covenant

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by net cash accruals of Rs.0.02 Cr as on March 31, 2021 as against long term debt repayment of Rs.0.12 Cr over the same period. The shortfall in repayment, have been met from their own resources. The fund based limit remains utilised at around 72 per cent over the four months ended June, 2021. The company has not availed loan moratorium but has availed Covid loan of Rs.2 Cr. The cash and bank balances of the group stood at Rs.0.14 Cr as on March 31, 2021 as compared to Rs.0.22 Cr as on March 31, 2020. However, the current ratio stood comfortable at 2.41 times as on March 31, 2021 as compared to 1.97 times as on March 31, 2020. Acuité draws comfort from the group's regular fund infusion into the business. Acuité believes that going forward the company will also improve liquidity position due to steady accruals buoyed by improvement in revenue realization.

Outlook: Stable

Acuité believes that the outlook on SRSHPPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, and financial flexibility of the Shree RSH group. The outlook may be revised to 'Positive' in case the company makes substantial progress on the bookings over the medium term. Conversely, the outlook may be revised to 'Negative' in case there is significant drop in bookings or any deterioration of financial risk profile leading to pressure on liquidity.

About the Rated Entity - Key Financials

| | Unit | FY21 (Actual) | FY20 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 10.27 | 13.59 |
| PAT | Rs. Cr. | (0.17) | 3.67 |
| PAT Margin | (%) | (1.64) | 27.01 |
| Total Debt/Tangible Net Worth | Times | 4.26 | 3.47 |
| PBDIT/Interest | Times | 43.05 | 3.72 |

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

| Lender name | Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|----------------|------------------------------------|------------------|----------------|----------------|-----------------------------|------------------------------|
| Not Applicable | Proposed Long Term Bank Facilities | Not Applicable | Not Applicable | Not Applicable | 60.00 | ACUITE BB+/Stable (Assigned) |

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About Acuité Ratings & Research

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