



Press Release
Shree RSH Projects Private Limited
July 10, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	ACUITE BB Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

Rating Rationale

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Acuite has downgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 60.00 Cr bank facilities of Shree RSH Projects Private Limited (SRSHPL). The outlook is '**Stable**'.

Rationale for the downgrade

The rating downgrade majorly takes into account lower than anticipated cash inflows during FY2023 along with delay in project construction work and slow sales traction in last couple of years. The company has expected cash inflows of Rs.128.69 Cr. in FY2023 against which the company registered inflows of only Rs.44.98 Cr. for the same period. Furthermore, the delay in project construction as per stipulated timelines has also led to cost and time overruns. The reduced project cash flow has affected the Debt Service Coverage Ratio (DSCR) of the company. Additionally, the rating is influenced by the company's below-average financial risk profile and exposure to risks in the real estate industry. Nevertheless, the rating is supported by the promoter's experience, favourable location, and promoters commitment to provide regular financial support through unsecured loans to the business.

About the Company

Incorporated in 2010, Shree RSH Projects Private Limited (SRSHPL) 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. SRSHPL has recently completed a premium residential real estate projects "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

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

Key Rating Drivers

Strengths

- Experienced management and locational advantage

The real estate company has been successfully operating in the industry for over a decade,

showcasing a long-standing track record. Additionally, Mr. Hari Prasad Sharma, the promoter, is deeply experienced and actively involved in the company's operations.

The upcoming development project “CREST Newtown” enjoys a favourable location advantage in Rajarhat, Kolkata, near the city’s IT hub and affluent residential areas. The nearby airport’s proximity is expected to attract a significant number of business travellers. The other project, “CORNER 47,” is situated in the heart of Kolkata at Gariahat, surrounded by affluent residential colonies. Being the first project of its kind in the vicinity, it is anticipated to attract a large customer base. Both areas offer readily available infrastructure facilities such as power, water, and telecommunication, and there is an abundant supply of skilled and unskilled labour from the surrounding regions. Acuité believes that the promoters extensive experience in the real estate industry and strategic location advantage will be going to benefit the company’s future growth plans.

- **Financial flexibility**

The group companies have consistently shown their support for their businesses by continuously providing unsecured loans and equity funds to SRSHPPL. As of FY2023, the group has infused Rs.40.12 Cr to facilitate the company’s operations. Acuité believes that as a strategically significant entity for the group, the company will continue to receive financial, operational, and management support from the Shree RSH Group whenever necessary. The fact that Mr. Hari Prasad Sharma, the promoter, holds approximately 51% in SRSHPPL adds to the reassurance of the rating. Any changes in the ownership structure or events affecting the group’s overall credit profile will be key rating considerations.

Weaknesses

- **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.12.97 Cr as on March 31, 2022 from Rs.16.04 Cr as on March 31, 2021 on account of losses incurred in FY2022. The gearing of the company stood high at 5.56 times as on March 31, 2022 as against 4.26 times as on March 31, 2021. Acuite has also considered unsecured loan of Rs.2.10 crore as quasi equity, as the same amount is subordinated with bank debt. The weak debt protection metrics of the company is marked by negative Debt Service Coverage Ratio as well as Interest Coverage Ratio(ICR)as on March 31, 2022. Acuité believes of the company that financial risk profile is expected to be improving over the medium term.

- **Lower than anticipated cash inflows and delay in project construction**

The company has initiated the construction of two commercial real estate projects named “CREST Newtown” and “CORNER 47”. These projects require an estimated fund allocation of approximately Rs. 164 Cr, and the projected completion is set to commence in September 2024. The anticipated funding structure includes a Rs. 60 Cr term loan from a bank, an unsecured loan of Rs. 55 Cr from group companies, customer advances amounting to Rs. 35.06 Cr, and a promoter contribution of Rs. 13.94 Cr. takes into account lower than anticipated cash inflows during FY2023 along with delay in project construction work and slow sales traction in last couple of years. The company has expected cash inflows of Rs.128.69 Cr. in FY2023 against which the company registered inflows of only Rs.44.98 Cr. for the same period. Furthermore, the delay in project construction as per stipulated timelines has also led to cost and time overruns. The reduced project cash flow has affected the Debt Service Coverage Ratio (DSCR) of the company.

Acuité believes that the timely construction of both the project with adequate cash inflows will continue to remain a key rating sensitivity over the medium term.

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

Real estate projects are prone to varying degrees of uncertainty, both at the macro-level, which affects the economy as a whole and at the sector level. The projects are prone to local, state, and national laws and regulations (governing acquisition, construction and development of land, etc.). Failure to comply with such rules and regulations often lead to delays or in the worst case, complete closure of the project; all of which may lead to a

complete or partial loss of capital invested. Real estate sector is also highly susceptible to economic cycles. Health of an economy in terms of GDP, employment data, manufacturing activity, prices of goods, etc. affects the value of real estate in such a way that when economy is sluggish real estate sector is affected in a similar way.

Rating Sensitivities

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

Material covenants

None

Liquidity Position

Adequate

The promoters have provided fund in the form of unsecured loan to the group from time to time as required; which provides financial flexibility to the company. The total cash inflow of the group during FY2023 (Provisional) is estimated at Rs.44.98 Cs as against a total outflow of Rs.39.97 Cr, thereby having a surplus of Rs.5.01 Cr and a DSCR of 1.26 times against which the company has a long term debt repayment of Rs.12.56 Cr. The shortfall in repayment, have been met from their own resources. Further, the current ratio stood comfortable at 1.67 times as on March 31, 2022 as compared to 2.41 times as on March 31, 2021. Acuité believes that going forward the group will improve liquidity position due to steady accruals backed by improvement in the revenue realization.

Outlook: Stable

Acuité believes that the outlook on SRSHPL 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	12.67	10.27
PAT	Rs. Cr.	(3.07)	(0.17)
PAT Margin	(%)	(24.23)	(1.64)
Total Debt/Tangible Net Worth	Times	5.56	4.26
PBDIT/Interest	Times	(29.27)	43.05

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Dec 2022	Proposed Bank Facility	Long Term	60.00	ACUITE BB+ (Issuer not co-operating*)
09 Sep 2021	Proposed Bank Facility	Long Term	60.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	60.00	ACUITE BB Stable Downgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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