

Press Release

Raaga Mayuri Builders Private Limited

July 18, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.50	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	21.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as ACUITE double B') on the Rs. 21.50 Cr bank facilities of Raaga Mayuri Builders Private Limited (RMBPL). The outlook is '**Stable**'.

The assigned rating reflects the extensive experience of the promoters of over two decades in the real estate business and reputed lessee profile. These strengths are partially offset by the absence of a debt service reserve account (DSRA) may lead to cash flow mismatches in case of delays in remittance of rentals by the lessees and exposure cyclical in the real estate industry.

About the Company

Raaga Mayuri Builders Private Limited (RMBPL), incorporated in 27th of December, 2002, is a Kurnool (Andhra Pradesh) based real estate developer involved in constructing residential and commercial projects and leasing activities. RMBPL is promoted by Mr Konikanti Janardhana Reddy Ms Vanipenta Mani Reddy. RMBPL has completed more than 31 projects in and around Kurnool and Hyderabad city, totaling around 2.5 million Sq. feet (mnsf) including residential and commercial buildings. RMBPL also has entered into long term lease agreements with reputed clientele like, Narayana Educational Society, NSPIRA Management Services Private Limited, Ramesh Hospitals with the total leasable area of ~2.00 lakh square feet leasable area. These agreements have a tenure ranging from 10-20 years with price escalation of 5 per cent.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record and experienced management

The Raaga Mayuri is promoted by Mr. Konikanti Janardhana Reddy (Managing Director) and Ms. Vanipenta Mani Reddy who have more than two decades of experience as a real estate developer activities. The Raaga Mayuri has completed more than 2.5 million square feet of residential and commercial projects and plans to add further ~2.00 million square feet on-going 11 projects under commercial and residential space. Alongside, RMBPL has developed around 2 lakh square feet leasable area. Acuité believes that the promoters' experience in the real estate industry, established track record of operations, improving demand for the residential units in Kurnool and Hyderabad area and long-standing relationships with the tenants ensures to support the company's revenue and profitability over the medium term.

Moderate financial risk profile

RMBPL's financial risk profile is moderate, marked by moderate network, moderate capital structure and comfortable debt protection metrics. RMBPL has moderate net worth at Rs. 25.25 Cr as on March 31, 2022 (Prov) against Rs. 23.66 Cr as on March 31, 2021. Company has moderate capital structure marked by low gearing (debt-to-equity) and moderate total outside liabilities to tangible network (TOL/TNW) ratio of 0.80 times and 2.27 times respectively, as on March 31, 2022 (Prov) vis-à-vis 0.74 times and 2.37 times March 31, 2021. Debt protection metrics is comfortable, reflected in interest coverage (ICR), debt service coverage and net cash accrual to total debt ratio (NCA/TD) of 2.75 times, 1.93 times, and 0.12 times, respectively, in FY2022 (Prov), FY2021 and FY2020. Acuité believes that the financial risk profile is expected to remain at similar levels over the medium term.

Weaknesses

Intense competition and risks related to the timely renewal of lease contracts

The Raaga Mayuri Company has mostly executed its past projects in and around Kurnool over last two decades and since 2019 the company expanded its foot print to Hyderabad (Telangana). The real estate industry is highly fragmented with most of the real estate developers led to intense competition from larger players the revenues of the company are derived by way of rent from reputed corporates. In the event of non-renewal by existing lessee, the future cash flows will be impacted thereby translating to weakening of debt protection indicators. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Higher-than-expected cash flow improving debt protection metrics on a sustained basis
- Any Significant delays in payment of lease rentals by the counterparties
- Early payment of its loan obligation while maintaining its cash accruals
- Lower than expected sales traction leading to increased dependence on debt

Material covenants

None

Liquidity position: Adequate

RMBPL's liquidity is adequate marked by healthy net cash accruals to its maturing debt obligations. RMBPL has generated cash accruals of Rs.1.70 Cr to 2.50 Cr during last three ended March 31, 2022 (Prov) against debt obligations of Rs.0.50-1.00 Cr for the same period. The cash accrual of the company is estimated in the range of around Rs.1.50 -2.50 Cr during FY2023-FY2025 against repayment obligations of Rs.1.00 Cr to Rs.2.00 Cr for the same period. The cash flow cover is expected to be comfortable during the tenure of the loan and its debt

service coverage ratio (DSCR) expected to remain comfortable at an average of 1.23 times over the tenure of the LRD loan, owing to the expectation of steady lease rentals and well-structured debt repayment obligation. It has low cash and bank balance stood at Rs 0.16 Cr and current ratio at 1.17 times as on March 31, 2022. Acuite believes that the liquidity of the company will remain adequate with steady cash inflows from the reputed customers to cover the debt servicing obligations.

Outlook: Stable

Acuite believes that the outlook on RMBPL will remain 'Stable' over the medium term on account of experienced promoters in the real estate industry, steady cash flows from lease rentals strong counterparties. The outlook may be revised to 'Positive' in case of a sharp increase in the DSCR because of better-than-expected lease rentals or higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt. The outlook may be revised to 'Negative' if a significant dip in the lease rentals or re-negotiations leading to lower cash flows impacting the debt protection metrics or unexpected termination of existing leases or substantial debt-funded capital expenditure or higher than expected impact on rentals.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	37.99	35.30
PAT	Rs. Cr.	1.59	1.34
PAT Margin	(%)	4.19	3.80
Total Debt/Tangible Net Worth	Times	0.80	0.74
PBDIT/Interest	Times	2.75	3.11

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>
- 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

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.50	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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