



Press Release
RATNA PURI CONSTRUCTIONS PRIVATE LIMITED
June 30, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	125.00	Provisional ACUITE C Assigned	-
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuite' has assigned its long term rating of '**Provisional ACUITE C**' (read as **Provisional ACUITE C**) on the Rs 125.00 Cr Proposed Non-Convertible Debentures of Ratnapuri Constructions Private limited(RCPL). The rating on the proposed Rs.125 Cr Non-convertible debentures is provisional and the final rating is subject to the following documents requirements

1. Receipt of the executed trust deed
2. Receipt of the No-objection Certificate (NOC) from the existing lender i.e. SWAMIH after satisfaction of debt.
3. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions
4. Legal opinion on the transaction, if applicable

Rationale for rating assigned

The rating assigned considers the established market presence of the promoter group in the real estate market, the extensive experience of the promoters and continued business and financial support from Price Foundation. Further, rating factors in improved in sales velocity as noted by recording of operating revenue of Rs.77.93 Cr till December 2022. These rating strengths are partly offset by geographical concentration in the revenue profile, past delays in the project completion and susceptibility to cyclicalities inherent to real estate industry. Further, the company had also defaulted in its payment to ARCs and opted for a one-time settlement (OTS). Going forward, Acuite' expects the financial risk profile and liquidity of the company to improve with refinancing through the issue of NCD.

About the Company

Chennai based Ratnapuri Constructions Private Limited was incorporated in 2011 and is promoted by Mr. Goolabchand Kumudchand Jhabakh and Mrs. Kiran Chandulal. The company engaged in construction of multi-storied residential apartments & commercial complex in and around Chennai. Company is into development of residential and commercial real estate.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RCPL

Key Rating Drivers

Strengths

Established track record and experienced promoters

Ratnapuri Constructions private limited(RCPL) was incorporated in 2011 to construct a residential cum commercial tower names as 'Price Ratnapuri' with total area of 4.3 lakhs Sq ft located at Wall tax road, Chennai. Out of 4.3 Sq ft, 3.69Sq ft is allocated for residential purpose and 0.60 Sq fts is allocated for commercial purpose. The directors of the company are Mr. Kumudchand Dhabakh, Mr. Akshaya Kumar Jayanthilal Jain and Mrs.Kiran Chandulal. In 2017 company entered into joint development agreement (JDA) with Price foundation for completion of the project. The directors of the company have adequate experience in the real estate industry.

Weaknesses

High Dependence on refinancing for sustainability of operations

RCPL has faced the various liquidity issues in the past which resulted in default in the bank loans and subsequently been taken over by ARC. Further, the company is proposing an OTS to ARC. The company is issuing the NCD and with the proceeds of NCD is planning to clear all the dues of CFMARC. However, successful refinance is dependent upon compliance of various precedent conditions laid down in term sheet. Timely refinance of the debt would remain the key rating sensitivity.

Past Delays in the project completion

The project was launched during 2011 but was delayed in comparison with the estimated completion period. The delays were one of the reason RCPL entered into JDA with Price foundation in 2016. Further, the project constructions were disrupted on account of events such as floods, demonetization, cyclone, implementation of GST, lack of uninterrupted supply of raw materials, project cost overruns etc. However, company has recently received completion certificate from the local development authority.

High geographical concentration risk in revenue profile

RCPL's on-going project is located in Wall tax road, Chennai; with no plans to diversify in the medium term. RCPL would remain geographically concentrated until the start-up and successful completion of any project and receipt of healthy customer advances through the sale of entire units in any other region in future.

Susceptible to real estate cyclical and regulatory risks

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region-specific presence. The risks associated with the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. RCPL is exposed to the risk of volatile prices on account of demand-supply mismatches in the Chennai real estate industry. The company is exposed to market risks for the unsold inventory, in terms of sales velocity, pricing and timely collection. Further, the industry is exposed to regulatory risk, which is likely to impact players such as RCPL, thereby impacting its operating capabilities. However, Acuité believes that from the customer demand for the project being mitigates the risks to an extent on account of improved sales velocity in current financial year.

Rating Sensitivities

- Timely refinancing by issuance of NCD

Material covenants

None

Liquidity: Stretched

The liquidity position is stretched due to low net cash accruals of the company in FY2022 and

FY2021 against the repayment obligation. Further, the current ratio of the company remains below unity throughout the last three years till FY 2022. However, with the debt refinancing and issuance of proposed NCDs, liquidity of RCPL may improve in near to medium term. RCPL is mainly dependent on collection of receivables from sold units, NCD proceeds and sale proceeds from unsold units for project funding and NCDs repayment obligation. Timely collection of these receivables from old units will be key monitor able for the assessment of liquidity position of RCPL.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.34)	(0.36)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(162.21)	(193.63)
PBDIT/Interest	Times	0.00	0.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	125.00	Provisional ACUTE C Assigned

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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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