

Press Release
RIZVI ESTATES AND HOTELS PRIVATE LIMITED
April 12, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Ter
Bank Loan Ratings	9.75	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	3.25	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	13.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of 'ACUITE B+' (read as ACUITE B plus) and the short-term rating of 'ACUITE A4' (read as ACUITE A Four) on the Rs. 13.00 Cr. bank facilities of Rizvi Estates and Hotels Private Limited (REHPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned considers the established track record of operations of more than 4 decades in this line of business along with experienced management. However, this strength is partially offset by declining operating income to Rs. 31.30 crore in FY23 from Rs. 87.58 crore in FY22 which can be attributed to commencement of no new projects in FY24 and sale of remaining flats from the existing projects. Further, it factors in the average financial risk profile of the company marked by moderate net worth, low gearing (debt-equity) and average debt protection metrics. Also, working capital cycle of the company is intensive marked by high GCA days of 2644 days as on FY23. The rating is also constrained by the stretched liquidity position of the company with high reliance on short term bank facilities with average utilisation of 90-95 percent of fund-based facilities and 100 percent of non-fund based facilities. The revenue achieved in FY 2024 (Prov) is Rs. 8.13 Cr only.

About the Company

Rizvi Estates and Hotels Private Limited established in 1978, by former Rajya Sabha MP – Dr Akhtar Hasan Rizvi, is engaged in construction of commercial and residential projects in Mumbai and Goa. The projects are at prime locations in the city such as Santacruz, Malad, Bandra and Kurla. Dr Akhtar Hasan Rizvi has over 4 decades of experience in construction and real estate. Mr. Akhtar Hasan Rizvi, Mrs. Meena Akhtar Rizvi and Ms. Reshma Akhtar Rizvi are the current directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Rizvi Estates and Hotels Private Limited (REHPL) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations in industry and Experienced Management
Rizvi Estates and Hotels Private Limited (REHPL) has been in operations since 1978. The

company is engaged in construction of residential and commercial projects in Mumbai and Goa. The family has been into this business for over four decades and the average industry experience of the partners is around 30 years. The company has been promoted by former Rajya Sabha MP – Dr Akhtar Hasan Rizvi. Mr. Akhtar Hasan Rizvi, Mrs. Meena Akhtar Rizvi and Ms. Reshma Akhtar Rizvi are the current directors of the company.

Acuité believes that the long operational track record coupled with the extensive experience of the management will continue to benefit REHPL going forward.

Weaknesses

Declining scale of operations

The operating income stood at Rs. 31.30 crore in FY23 as against Rs. 87.58 crore in FY22 registering a decline of 64.26% YoY, this can be attributed to no new projects being commenced and the sale of remaining flats in the existing projects in FY23. The EBITDA margin for FY23 exhibited a decline at 8.26%, compared to 22.34% in FY22. The PAT for FY23 witnessed a substantial decrease, reaching Rs.(7.49) crore compared to Rs. 115.98 crore in FY 2022 and the PAT margin stood at (23.93%) in FY 2023 as against 132.43% in FY 2022. On a Provisional FY 2024, the company has clocked net sales of Rs. 8.13 crore from the sale of 9 flats pertaining to previous inventory. Further, the company have not commenced any project yet and all are under approval stage, revenue visibility cannot be established for near to medium term.

Acuite believes the ability of the company to commence any new projects and scale up the operations is a key rating sensitivity.

Average Financial Risk Profile

The financial risk profile of the company stood average, marked by moderate net worth, low gearing (debt-equity) and average debt protection metrics. The tangible net worth stood at Rs. 235.46 crore as on 31 March 2023 as against Rs. 242.89 crore as on 31 March 2022. The total debt of the company for FY23 stood at Rs.13.28 crore which includes long term loan of Rs. 3.12 crore, short term loan of Rs. 9.93 crore (in terms of OD) and unsecured loans from directors/ promoters of Rs. 0.23 crore. The gearing (debt-equity) stood at 0.07 times as on FY23 as compared to 0.09 times as on FY22 due to decrease in debt to Rs. 13.28 crore in FY23 from Rs. 17.03 crore in FY22. Interest Coverage Ratio stood at 1.37 times for FY23 as against 3036.61 times for FY22. Debt Service Coverage Ratio (DSCR) stood at 0.87 times in FY23 as against 3021.92 times in FY22. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.24 times as on FY23 as against 0.25 times as on FY22. Net Cash Accruals to Total Debt (NCA/TD) stood at (0.02) times for FY23 as against 7.43 times FY22.

Acuite believes that ability to maintain an average financial risk profile of the company is a key rating sensitivity.

Intensive Working Capital Management

The working capital management of the company is intensive, marked by GCA days of 2644 days in FY23 as against 962 days in FY22. Inventory days are 1749 days in FY 23 as against 773 days in FY 22. Further, the inventory stood at Rs. 137.61 crore in FY 23. It comprises of plots in stock of Rs. 29.76 crore, unsold units of Rs. 15.50 crore and work in progress of Rs. 92.35 crore. Subsequently, the debtor's collection period stood at 0 days in FY23 as the debtors for FY 23 are NIL. Furthermore, the creditor days stood at 555 days in FY23 as against 266 days in FY22. The reliance on working capital limits is very high which is marked by high utilizations of fund based limit of 90-95% and non-fund-based limits of 100% in the last 13 months ended March 2024.

Acuite believes that the working capital operations of the company may continue to remain intensive on account of the nature of industry in which the company operates.

Rating Sensitivities

- Commencement of new projects and its timely execution.
- Any significant improvement in scale of operations while maintaining profitability.
- Further elongations in the working capital operations of the company and deterioration in liquidity position.

Liquidity Position

Stretched

The company's liquidity position is stretched with negative net cash accruals thereby not offsetting maturing debt obligations in the medium term. The working capital limits are marked by high utilizations of fund-based limit of 90-95 percent and non-fund-based limits of 100 percent in the last 13 months ended March 2024. However, the current ratio has improved slightly from 5.42 times on March 31, 2022, to 5.46 times on March 31, 2023.

Outlook: Stable

Acuité believes the outlook on REHPL will continue to remain 'Stable' over the medium term backed by long track record of operations and experienced management. The outlook may be revised to 'Positive' if the group is able to significantly improve the scale of operations, while also improving its working capital operations efficiently and being less reliance on short term debt. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the group by not able to scale up the business and further deterioration in working capital management and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	31.30	87.58
PAT	Rs. Cr.	(7.49)	115.98
PAT Margin	(%)	(23.93)	132.43
Total Debt/Tangible Net Worth	Times	0.07	0.09
PBDIT/Interest	Times	1.37	3036.61

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 Investment Trust (REIT): <https://www.acuite.in/view-rating-criteria-81.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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.25	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.75	ACUITE B+ Stable 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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