



Press Release

Rajarajeshware Builddcon Private Limited (RBPL)

September 17, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Proposed Term Loan	50.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Total	50.00 (Fifty Crore Only)		

Details of Facilities are in Annexure 1

The assignment of Ratings to the proposed bank facilities of Rajarajeshware Builddcon Private Limited takes into consideration experienced promoters with satisfactory execution track record in real estate industry, locational advantages accruing to the projects due to favourable locations and healthy collections momentum in ongoing projects like Manikchand 117F and Picasso. The rating however is constrained by execution risk and geographical concentration risk.

Detailed Rationale

Key Rating Sensitivities:

Upward Factors

Improvement in the collections through a combination of improved sales and scheduled construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.

Downward Factors

Weaker-than-anticipated sales performance and lower-than-expected collections which may lead to increased funding risk and/or delay in scheduled construction progress.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with satisfactory execution track record in real estate industry

The promoters of Rajarajeshware Bulddcon Private Limited have a satisfactory track record of executing residential real estate projects in Bengaluru for more than a decade. The company has successfully developed around 3.19 lakh square feet (lsf) of area. The group was promoted by Shri Ramanlal M Sha and currently the management of the company is looked into by Mr. Ranjith J Shah and Mr. Mitesh Kumar J Sha. Presently the Company has five ongoing projects viz. Manikchand 117 FF, Picasso, Pratham, Panchsheel and Penta Square. The aggregate saleable area of the above projects is ~ 5.76 lsf. The total project cost is INR 270.42 crores to be funded by equity INR 90.15 crores, debt INR 50.00 crores and advances from customers INR 130.27 crores. Out of the above five projects Penta Square is a commercial project and will be given out on lease once completed. The company generally enters into Joint Development Agreement with the landowners for the construction of the projects which significantly reduces the need for upfront requirement of funds for land purchase for the project.

Locational advantages accruing to the projects due to favourable locations

For real estate projects location becomes a key determinant for saleability of the project. The ongoing projects of the company are located at various important locations in the city of Bengaluru like Jayanagar, Banasankari, Basavanagudi and Koramangala. These locations have seen large scale development of real estate projects. The locations has emerged as a fast developing locality with good connectivity to key IT clusters in the city.

Healthy collections momentum in project Manikchand 117F and Picasso

RBPL's ongoing projects Manikchand 117F and Picasso has shown resilience in the lockdown for the financial year FY21. RBPL sold 19 units in Manikchand 117F and 22 Units in Picasso during the period April 20 to August 21.



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Key Rating Weaknesses

Moderate level of unsold inventory in the on-going projects

The Company had moderate levels of unsold inventory in ongoing projects. Out of total saleable area of 5.76 Isf across all ongoing projects the company has sold area of 1.91 Isf (~ 33 %) and has an unsold inventory of 3.84 Isf (~ 67%). Going forward it would be critical to sell unsold inventory as customer advances form ~ 48% of envisaged funding sources for the ongoing projects.

Geographical Concentration risk

As all of the company's projects are being executed in Bengaluru micro-market, it is exposed to geographical concentration risk. Fortunes of the projects therefore will depend on the overall market sentiment in the region.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity of the Company is Adequate as characterised by interest coverage of 2.04x in FY21 provisional financials and consolidated average cash flow cover at 2.06x till FY25. The Company's Gross Cash Accruals in FY21 were at INR 3.49 crore compared to debt obligations of INR 0.34 crore.

About the Company

Rajarajeshware Builddcon Private Limited(RBPL) was incorporated in 2007, by Mr.Ranjith J Shah and Mr. Mitesh Kumar J Sha. The Company is engaged in the business of construction, development, sale, management and operation of residential and commercial apartments and related activities. As of date the Company has developed ~ 3.19 Isf of area and out of this has sold ~ 97% or ~ 3.09 Isf of area. Completed projects comprises of Parswa Sadan, RR Elegance, Parasmani Regency Block A,B,C, Parswa Residency and



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Prasanthi Balu. All completed projects are in prime locations of Bengaluru like Jayanagar, Basavanagudi, Infantry Road, HSR Layout and V V Puram.

Details of ongoing projects are as follows:

Project Name	Location	Total Flats in Units	Total Saleable Area in Square Feet	Total Flats Sold in Units	Total Area Sold in Square Feet
Manikchand 117 FF	Jayanagar 7Th Block	114	253,633	43.00	103,219
Piccasso	Jayanagar 9Th Block	70	220,512	30.00	78,791
Pratham	KR Road, Bansankari	11	17,741	1.00	1,917
Panchasheel	Basavangudi	5	11,240	4.00	7,453
Penta Square*	Koramangala	5	72,702		-
	Total	205	575,828	78	191,380

*Penta Square is a Commercial Project and company may decide to retain it for rental income.

Financials Standalone:

For the year ended/ As On	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	39.86	65.43
EBITDA	8.18	8.79
PAT	1.84	2.98
Total Debt	49.02	35.58
Tangible Net-worth	39.66	42.69
Ratios		
EBITDA Margin (%)	20.53	13.44
PAT Margin (%)	4.60	4.54
Overall Gearing Ratio (x)	1.24	0.83

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Bank Facilities – Proposed Term Loan	Long Term	50.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--	--

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	50.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Rajarajeshware-lenders-17sep21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.