



Press Release

Ratnabhumi Developers Limited

July 27, 2022

Rating

Instrument/ Facility*	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	100.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	100.00	INR Hundred Crores Only		

*Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Ratnabhumi Developers Limited (RDL) draws comfort from its experienced promoters and management team, favourable project cost structure with low reliance on external debt and satisfactory saleability with healthy booking status for its launched projects. However, these rating strengths are partially offset by project execution risk and exposure to risks relating to cyclical in real estate industry.

Key Rating Sensitivities

Upward Factors

- Timely receipt of customer advances
- Sustenance of support from the promoters
- Healthy booking status on a sustained basis

Downward Factors

- Lower than expected booking Status
- Delay in completion of the project

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management team**

RDL is a part of Ahmedabad based, Ratna Group founded by Mr. Jitendra Shah in the early 1980s. Mr. Shah have an experience in the real estate industry for over three decades. The experience of the group varies from land acquisition, authority Liaoning, planned development, identification of project types and locations as well as construction development and



Press Release

maintenance of projects commissioned under residential/ commercial/ retail/ plotting or industrial.

Mr. Kaivan Shah, son of Mr. Jitendra Shah, is currently the chairperson of the group, having vast experience of more than 15 years in commercial and residential real estate construction and related matters.

- **Favourable project cost structure with low reliance on external debt**

The total cost of the ongoing projects is envisaged at Rs.283.32 crore, with Rs.76.83 crore to be funded through customer advances, Rs.91.69 crore through promoter's funding and the rest Rs.114.00 crore through debt.

- **Satisfactory saleability with healthy booking status**

The sales momentum till May 2022 remained satisfactory with ~55% of launched residential units being offered/sold out. Adequate sales momentum of the remaining inventory and collection efficiency remain crucial to the project cash flows and hence will be a key rating monitorable, going forward.

Key Rating Weaknesses

- **Project execution risk**

The company has a total of three ongoing projects, of which it has completed more than ~40% of the construction work in the projects, indicative of relatively high project implementation risk, given the early to mid-stage of its project execution. Further, the expected date of completion of its ongoing projects is by 2026, whereby the implementation period makes the company susceptible to time and cost overruns, which may impact profitability. Once operational, ability to sell the units is key to meet the debt obligation on time

- **Exposure to risks relating to cyclicity in real estate industry**

Being a cyclical industry, real estate depends on macro-economic factors and the company's dependence on a particular geography further heightens such risk. The real industry also remains susceptible to regulatory risk. Cumulatively, these may have a material bearing on the real estate project cash flows. This may impact the debt servicing ability of the company. Managing the same thus remains critical



Press Release

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity Position: Adequate

The company executes its ongoing projects majorly by means of customer advances and promoters' contribution (~67%) thereby reducing its dependence on debt. Further, the company is likely to benefit from the resourcefulness of the promoters. Favourable repayment structure for the debt availed for the project also provides some comfort. Overall liquidity position is expected to remain adequate in the near term.

About the Company

Ratnabhumi Developers Limited (RDL), incorporated on July 27, 2007, is a part of Ahmedabad based, Ratna Group founded by Mr. Jitendra Shah in the early 1980s. The group has till date, completed 22 projects, both commercial and residential inclusive, with combined construction area of 18,55,566 square feet, with estimated project cost totalling to Rs.604 crores and an estimated surplus of around Rs.130 crore.

RDL launched its brand "Turquoise" and has launched four projects under the said brand, out of which two projects fall under the 'Affordable Housing' category and other two projects fall under the 'Luxury Homes' category.

Currently, there are three projects undergoing with construction area of 10,68,435 square feet, with estimated project cost totalling to Rs.283 crores. The projects are the combination of both residential and commercial retail shop located in Ahmedabad.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	4.14	1.76
EBITDA	1.09	2.72
PAT	0.82	0.17
Total Debt	0.56	41.64
Tangible Net worth	34.60	34.76
EBITDA Margin (%)	26.22	NM [#]
PAT Margin (%)	19.70	9.59



Press Release

For the year ended* / As On	31-03-2021	31-03-2022
Overall Gearing Ratio (x)	0.02	1.20
Interest Coverage Ratio (x)	NM	1.06

*Classification as per Infomerics' standards

#Not Meaningful

Since RDL is engaged in undertaking construction of commercial/residential projects, its revenue profile is largely dependent on completion of the project, leading to volatility in overall operating income

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Term Loan	Long Term	100.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Riddham Agarwal	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: riddham.agarwal@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust, and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.



Press Release

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	March 2026	100.00	IVR BBB-/ Stable
Total				100.00	

Annexure 2: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Lender-Ratnabhumi-27-07-22.pdf>

Annexure 3: List of companies considered for Consolidated Analysis: Not Applicable

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

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.