Rating Rationale

Radius & Deserve Builders LLP

05 Dec 2017

Brickwork Ratings assigns "BWR BBB- (SO) (Outlook - Stable)" for the Bank Loan facilities aggregating Rs. 500.00 Crs of Radius & Deserve Builders LLP ('RDBLLP' or the Firm)

Particulars

Facility Rated	Amount (Rs. Crs) #	Tenure	Rating[1]
Fund Based **Term Loan**	**500.00**	**Long Term**	**BWR BBB- (SO) [Pronounced BWR Triple B Minus (Structured Obligation)] Outlook: Stable** ***Assigned***
Total	**500.00** (INR Five Hundred Crores Only)		

1 Please refer to BWR website www.brickworkratings.com for definition of the ratings
Annexure I shows the bank wise facilities

The Structured Obligation (SO) rating is specific to the rated facility, its terms and its structure. The SO rating is assigned based on the term loan being raised only for the specific project, presence of an escrow account through which all cash flows are to be routed for repayment of the loan and provision of a DSRA account for one quarter of interests and principal.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Firm upto FY17, projected cash flows, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced management, established track record of the Mumbai based Radius group in the real estate business, favourable location of the project at Chembur, Mumbai with good connectivity, strong marketing reach of the group and credit enhancement in the form of a designated escrow account and DSRA. The rating is, however, constrained by the initial stages of project implementation, exposure to risks associated with the project execution including time and cost overruns and receipt of approvals, regulatory risk related to Slum Rehabilitation Authority scheme (SRA) projects, high reliance on customer advances for project funding and overall subdued demand for real estate projects.
Going forward, the Company's ability to obtain requisite approvals, execute the project on schedule, maintain sales momentum and mobilize customer advances in a timely manner,

generate adequate cash flows for servicing of its debt obligations and improve its overall credit profile would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes RDBLLP's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Key rating drivers

- Mr. Sanjay Chhabria, Managing Partner and the management have extensive experience in the real estate industry. Radius Group has an established position in the Mumbai real estate market with strong marketing network. The Group has executed luxury and ultra luxury projects such as ONE BKC, Imperial Heights, Holiday Inn (Delhi), Viceroy Park etc., in Mumbai.

- Credit enhancement for the existing loan. The terms of the loan stipulate an escrow account wherein project related cash flows are to be routed and a Debt Service Reserve Account (DSRA) for one quarter of interests and principal to be maintained.

- As on 30th Sep 2017, the promoters have already infused around Rs. 565 Crs as against proposed infusion of Rs. 827.00 Crs. Works in the buildings are under progress.

- High reliance on customer advances for project completion: Out of the total project cost of around Rs. 2895 Crs, customers advances are estimated at ~Rs. 1300 Crs i.e ~ 45 % of the cost. Further the project is at its nascent stage and carries risks associated with the implementation of the projects.

- Regulatory risk related to Slum Rehabilitation Authority (SRA) projects : SRA schemes are working capital intensive. SRA projects generally have long gestation periods as significant amount of time goes into evacuating the slum dwellers and getting necessary approvals from the authorities. Apart from the SRA approvals, the company has to receive other approvals pertaining to the sale buildings. Mumbai real estate market has witnessed significant delays in approvals.

- Subdued real estate market with the enactment of a number of policy measures such as demonetization, RERA, GST etc.

Analytical approach

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

About the Company & Project

Radius & Deserve Builders LLP was originally incorporated in Aug, 2011 as Wadhwa & Deserve Builders LLP, to redevelop properties under Slum Rehabilitation Scheme, at Chembur, Mumbai. The Radius Group entered as a major partner in the project in March 2015. The current holding of Radius Group in the project is 99.98% and the 'Deserve Group' has nominal holding of 0.02%.

The project involves redevelopment of land admeasuring 53,192.35 sq.mt. and construction of 14 residential towers (6 towers are for rehabilitation and 8 towers for sale). The project is named "Anantya", located at Chembur. It is under Slum Rehabilitation Scheme of Slum Rehabilitation Authority, a Government of Maharashtra initiative introduced in 1996. The project would include mid income residential apartment complexes (1 BHK, 2 BHK and Studio Apartments).

Financial Performance

The project is under implementation and the firm is yet to recognise revenue. The total project cost is estimated at around Rs. 2895 Crs, mainly funded by term loan of Rs. 500.00 Crs, promoters contribution of Rs 827 Crs and advances from customers of Rs. 1368 Crs. The total cost incurred on the project till 30th Sep 2017 was approx Rs. 1338 Crs.

Key financial indicators are summarized in Annexure II.

Rating History for the last three years:

Sl No	Instrument/ Facility	Current Rating (Nov 2017)			Rating History with BWR		
		Type	Amount (Rs. Crs)	Rating	2016	2015	2014
1.	Fund Based	Long Term	500.00	BWR BBB- (SO) (Outlook: Stable)	Not Rated	Not Rated	Not Rated
Total			500.00	(INR Five Hundred Crores Only)			

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Infrastructure Sector**
- **Approach to Financial Ratios**

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Radius & Deserve Builders LLP
Annexure I – Details of Rated Facilities

Name of Bank	Facility	Amount Rated (Rs. Crs)
Yes Bank	Term Loan	**500.00**
	Total Amount to be Rated	**500.00**

Annexure II
Key Financial Indicators

Particulars	Unit	FY 16 (A)	FY 17 (A)
Operating Income	Rs. Crs	-	-
EBIDTA	Rs. Crs	-	-
PAT	Rs. Crs	(0.78)	(0.39)
Tangible Net-worth	Rs. Crs	(199.53)	(24.84)
Total Debt/ TNW	Times	-	-

For print and digital media
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings
Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹

9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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