



Rating Rationale

RADIUS SUMER DEVELOPERS PRIVATE LIMITED (Erstwhile Vishwaroop Developers Pvt. Ltd.)

31 March 2018

Brickwork Ratings reaffirms “BWR BBB- (SO) (Outlook - Stable)” for the Bank Loan facilities aggregating Rs. 600.00 Crs of Radius Sumer Developers Private Limited (‘RSDPL’ or the Company)

Particulars:

Facility Rated	Previous Limits (Rs. Crs) (20/Sep/2016)	Present Limits (Rs. Crs)	Tenure	Rating History (20/Sep/2016)#	Rating ¹ (March 2018)
<u>Fund Based</u> Term Loan	600.00	600.00	Long Term	BWR BBB- (SO) Outlook: Stable Assigned	BWR BBB- (SO) (Pronounced BWR Triple B Minus (Structured Obligation) Outlook: Stable Reaffirmed
<u>Fund Based</u> NCD	450.00	-		BWR BBB- (SO) Outlook: Stable Reaffirmed	-
Total	600.00 *	600.00 (Rupees Six Hundred Crores Only)			

1 Please refer to BWR website www.brickworkratings.com for definition of the ratings

Annexure I provides details of bank wise facilities

Rating advisory for delay in periodic surveillance issued on Dec 27 2017

* **Note** - . Maximum outstanding amount towards bank loan facilities and NCDs not to exceed Rs. 600 Crs at any given point of time. The rating for the NCD issue of Rs. 450 Crs was withdrawn by BWR on 03 Nov 2017 at the request of the Company, as the NCD was fully redeemed. Present rating is only for Bank/FI loan 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 raised only for the specific project, presence of an escrow account through which all project cash flows are to be routed for repayment of the loan and provision of ISRA (Interest Service Recovery Account) account for three months of interest obligations.



Rationale/Description of Key Rating Drivers/Rating sensitivities:

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

The rating reaffirmation continues to factor the promoters' industry experience, established track record of the Mumbai based "Radius" and "Sumer" groups in the real estate business, favourable location of the project at Mazgaon, Mumbai with good connectivity, strong marketing reach of the groups and credit enhancement in the form of a designated escrow account and ISRA (Interest Service Reserve Account). 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, high reliance on customer advances for project funding, susceptibility to overall subdued demand for residential real estate projects and cyclicity in the real estate industry.

Going forward, the Company's ability to 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 RSDPL'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 there are substantially higher-than-expected cash inflows, supported by significant saleability and progress of project. The rating outlook may be revised to 'Negative' if substantial debt is contracted, there is pressure on saleability of projects and the project implementation is delayed.

Key rating drivers

- **Established track record:** The project is developed by Mumbai based real estate groups namely 'Radius Group' and 'Sumer Group' under joint development arrangement. The groups have established position in the Mumbai real estate market, with strong marketing network. Radius Group is headed by Mr. Sanjay Chhabria. He has extensive experience in real estate industry and credited with execution of over 45 projects under his leadership. He was the MD of Wadhwa Group for more than 20 years. Some of the key projects completed by the Radius Group includes ONE BKC, Imperial Heights, Holiday Inn (Delhi), Viceroy Park etc., in Mumbai. The 'Sumer Group' based out of Mumbai, was established in 1965. Some of the key projects completed by the group includes 'Sumer Kendra', 'Sumer Castle', 'Sumer Valley' 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 maintenance of Interest Service Reserve Account (ISRA) for three months of interest.



- **Promoter funding:** As on 31st Dec 2017, the promoters have infused around ~Rs. 294 Crs (as equity of Rs. 10 Crs, unsecured loan of Rs. 133.88 Crs and subordinated debt of Rs. 150 Crs). Project progress is reported to be as per schedule.
- **High reliance on customer advances for project completion:** Out of the total project cost of around Rs. 1684 Crs, customers advances are estimated at ~Rs. 715 Crs i.e ~ 42 % of the cost. Further the project is at its nascent stage and carries risks associated with the implementation of the projects.
- 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

Incorporated in Nov 2014 at Mumbai, Radius Sumer Developers Private Limited (RSDPL) (erstwhile Vishwaroop Developers Pvt. Ltd) is an SPV floated by Radius Developers (Radius Group) and Sumer Buildcorp (Sumer Group). The SPV was formed to execute construction and development of a residential project “Harbour Heights” at P. Demello Road -Mazgaon, Mumbai, under JV arrangement. The construction and development activity is carried out by the Radius Group with contribution from Sumer Group in the form of land.

Project

The project involves construction and development of a residential project named “Harbour Heights” situated at Survey no. 525 at Mazgaon, Mumbai. The land was acquired by Sumer Buildcorp Pvt. Ltd. in 2005. Radius Group approached Sumer Buildcorp Pvt. Ltd. for joint development of the project in 2014. The project involves development of 4 residential towers in two phases (Phase I involves construction of 3 residential towers and Phase II would consist of 1 residential tower and 1 retail tower with retail spaces). Earlier the company planned to execute both the phases simultaneously; however, the company is currently undertaking Phase I of the project and the loans currently rated by BWR is related to Phase I. RERA registration for the project has been obtained on Aug 09 2017. The project would include luxury apartment complexes (1 BHK, 2 BHK, 2.5 BHK and 3BHK Apartments) with a total saleable area of around 1 million sq. ft. The project (Phase I) is estimated to be completed by Dec 2021.

Financial Performance

The project is under implementation and the Company is yet to recognise revenue. The total project cost is estimated at around Rs. 1683 Crs, mainly funded by term loan of Rs. 600.00 Crs, promoters contribution of ~Rs. 368 Crs and advances from customers of ~Rs. 715 Crs. The total



cost incurred on the project till 31st Dec 2017 was approx Rs. 961 Crs (including land and land development expense).

Rating History for the last three years:

Sl No	Facility	Current Rating (March 2018)			Rating History/Actions with BWR		
		Type	Amount (Rs. Crs)	Rating	03/11/2017#	20/09/2016 *	15/09/2015
1.	NCD	Long Term	-	-	Withdrawn	BWR BBB- (SO) (Outlook: Stable) Reaffirmed	BWR BBB- (SO) (Outlook: Stable) Assigned
2.	Term Loan	Long Term	600.00	BWR BBB- (SO) (Outlook: Stable) Reaffirmed	-	BWR BBB- (SO) (Outlook: Stable) Assigned	-
Total			600.00 (INR Six Hundred Crores Only)				

* **Note** - . Maximum outstanding amount towards bank loan facilities and NCDs not to exceed Rs. 600 Crs at any given point of time. The rating for the NCD issue of Rs. 450 Crs was withdrawn by BWR on 03 Nov 2017 at the request of the Company, as the NCD was fully redeemed.

#Rating advisory for delay in periodic surveillance, issued on Dec 27 2017

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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Annexure I – Details of Rated Facilities

Name of Bank/ FI	Facility	Amount Rated (Rs. Crs)
Standard Chartered Bank, Mumbai	Term Loan	325.00
PNB Housing Finance Limited, Mumbai		275.00
Total Amount to be Rated		600.00

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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.