



## Rating Rationale

**Rustomjee Realty Pvt. Ltd.**

**11<sup>th</sup> Aug 2017**

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**Brickwork Ratings assigns the ratings for the bank loan Facilities of Rs. 205.00 Cr of Rustomjee Realty Pvt. Ltd.**

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### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<b>Fund Based</b>			
Fund Based	205.00	Long Term	BWR BBB Outlook: Stable
<b>Total</b>	<b>Rs. 205.00 Crores (Rupees Two Hundred and Five Crores Only.)</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating continues to factor, inter alia, the location of the residential complex “Rustomjee Elements” at Upper Juhu, Mumbai; progress of sales and construction in the last one year; established brand position & track record of Rustomjee Group in the Mumbai real estate market and group’s demonstrated project execution capability.

The rating is however constrained by moderate financials of the company and business risks associated with the real estate sector.

### Rating Outlook: Stable

BWR believes that Rustomjee Realty Pvt. Ltd. (RRPL)’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 profitability show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



### About the Group, Company and Project:

Rustomjee Group started its operation in 1996 under the leadership of Mr. Boman Irani, who is currently the Chairman & Managing Director of the group. It is engaged in the business of developing, planning, construction & marketing of residential and commercial premises. The group has completed 46 projects with total area of 9.74 million sqft and currently developing 14 projects with total area of 16.44 million sqft at various stages of construction, located mainly in western and central suburb of Mumbai.

Rustomjee Realty Private Limited (RRPL) which was incorporated in April 2003, is held 51% by Keystone Realtors Pvt. Ltd. (KRPL) and 49% by Kapstone Constructions Pvt. Ltd. (KCPL). Under RRPL, the company is executing a redevelopment project named “Rustomjee Elements” at Upper Juhu, Mumbai. The project has rehabilitation buildings consist of 2 buildings with 8 wings of 16 floors each. The sales area consists of total 7 towers named A,B,C,D,E,F,G with total area of 7,27,793 sqft. Currently towers A, B, D, E, F has been completed and construction of towers G and C are going on. Currently around 80% of the construction has been completed with expected project completion date in Mar’20. At present 44% of the total saleable area has been booked.

### Financial Performance:

In FY 17, RRPL reported total sales of Rs. 322.18 Cr with net profit of Rs. 27.02 Cr. For FY 16, the figures were Rs. 224.87 Cr and Rs. 1.49 Cr respectively. It is to be mentioned that the group follows an accounting principle whereby recognition of revenue takes place only after a registered sales deed has been achieved not only on the booking form. This is also coupled with the fact that the real estate players have to recognize revenue as per percentage completion method, resulting of under reporting of sales in the P&L compared to actual sales. The company has reported negative TNW of Rs. 26.69 Cr in FY 17 which has improved compared to last year figure of negative Rs. 56.72 Cr. For the project “Rustomjee Element” RRPL has issued Rs. 140.00 Cr of NCD to group company KCPL, which is also its 49% shareholder. It has also reported Inter Corporate Deposit of Rs. 127.80 Cr on 31<sup>st</sup> Mar’17 from its shareholders KCPL and KRPL availed for the project. Till date Rs. 131.00 Cr has been drawn down from the total sanctioned amount of Rs. 205.00 Cr for the project and in July’17, it has pre-paid Rs. 40.00 Cr from the customer advance.

Amounts in Rs. Cr.	FY 15-16 (Audited)	FY 16-17 (Provisional)
Net Sales/Revenue	224.87/227.29	322.18/326.18
EBIDTA	11.06	20.74
PAT	1.49	27.02
Tangible Net worth	-56.72	-26.69
Total Debt/TNW	-6.53	-12.93
Current Ratio	1.13	1.16



**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount	Rating	2016	2015	2014
	<b>Fund Based</b>						
1	Term Loan	Long Term	Rs. 205.00 Cr	<b>BWR BBB</b> <b>(Outlook: Stable)</b> <i>Assigned</i>	-	-	-
2	Cash Credit	Long Term	Rs. 125.00 Cr (Sanctioned Rs. 250.00 Cr)	<i>Withdrawal of</i> <b>BWR BBB</b> <b>(Outlook: Stable)</b>	BWR BBB <i>(Outlook: Stable)</i> <i>Upgraded</i>	BWR BBB- <i>(Outlook: Stable)</i> <i>Reaffirmed</i>	-

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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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.

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