

Rating Rationale

Ratan Buildtech Pvt. Ltd.

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of ₹ 45 Crores of Ratan Buildtech Pvt. Ltd.

Particulars

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
Fund based	45	45	Long Term	BWR BB (Stable)	BWR BB (Stable) (Reaffirmed)
Total	45	45	Rupees Forty Five Crores Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK:

The reaffirmation in the rating of the bank facilities of Ratan Buildtech Pvt Ltd. (RBPL or the company) factors in its comfortable debt equity metrics and satisfactory booking status in the company’s residential project named ‘Ratan Pearls’, which is located in Noida. The rating also derives strength from the long operational track record of Ratan group in executing more than 50 residential projects in Uttar Pradesh through its flagship company, Ratan Housing Development Ltd. which also holds 50% ownership in RBPL.

The rating is, however, constrained by delays in construction and escalation of costs due to the disruptions caused by the COVID-19 pandemic. Further, muted demand in the real estate market has also affected the timely delivery of the residential units to the buyers.

COVID-19 IMPACT:

The company’s operations have been impacted due to nationwide lockdown announced in March 2020. The company has availed an interest moratorium on its term loan since March 2020. The interest during this period is expected to be converted into an Funded Interest Term Loan, while the principal repayments which were supposed to commence from Dec 2020, have now been deferred till June 2022. This has provided the company adequate cushion in terms of liquidity. Although the company has got an extension for completing the project till March 2022 by RERA, it is yet to submit the extension of moratorium to the bank.

OUTLOOK: STABLE

BWR believes the business risk profile of RBPL will be maintained over the medium term. The Stable outlook indicates a low likelihood of a rating change over the medium term. The outlook may be revised to positive in case the revenues and profits show a sustained improvement and the project is completed within the stipulated time. It may be revised to negative if the revenues go down and profits show lower than expected figures or the project is further delayed.

KEY RATING DRIVERS

Credit Strengths:

- **Satisfactory level of bookings:** RBPL has received booking for 475 flats i.e ~81% of the total no. of 588 units. The project is over 70% complete and the company has incurred a cost of Rs 194 Crs with a mix of ~ 56% from customer's advances, ~ 22% from the bank loan and remaining from the company's capital & unsecured loans. Although, the cost of the project was envisaged at Rs 172.17 Crs at the inception of the project, it escalated due to increase in the costs of construction. However, the company successfully met the incremental funding needs from advance bookings received from the customers. The costs related to remaining completion of ~30% is expected to be met from the mix of unsecured loans from promoter companies and customer advances. At present, the company has received Rs 109 Crs as customer's advances as against Rs 67 Crs expected at the beginning of the project.
- **Comfortable debt-equity mix:** Considering 50% of the unsecured loans (funds from directors, their relatives and group co. deposits) as quasi-equity, the debt:equity mix at the current level of execution comes at 2.61 times in FY20 (Prov.). As per the provisional figures for FY20, the company is estimating to book the revenue of Rs 25.57 Crs and net profit of Rs 3.48 Crs.
- **Long experience of the group company RHDL in Real Estate:** The parent company, Ratan Housing Development Ltd (RHDL)., has an experience of executing & delivering more than 50 real estate projects. RHDL also offers its marketing platforms to RBPL which is expected to enhance the brand value of RBPL's project among the customers.

Credit Risks:

- **Time Overrun in the project:** Implementation of 'Ratan Pearls' project is behind schedule. The project was expected to be completed by Dec 2020. However, due to the ongoing pandemic, the execution remained halted from March 2020 onwards. The company has obtained an extension till March 2022 from RERA and is expecting to get an extension of moratorium on its term loan for the extended period. The company has completed the construction work on 3 of the 4 towers, whereas the last tower is under construction and is approximately 30% complete. Further, the cost escalation in the projects nearing completion is a common phenomenon in the real estate industry. However, the ability of the company to



generate funds because of financial linkages with the group company (RHDL) mitigates the cost escalation risk to a certain extent.

- **Intense Competition from the established players:** Delhi NCR's real estate market is highly competitive because of the presence of a large number of branded properties coming up in the region. Further, there is a lot of inventory hangover in the NCR market which may stress RBPL's profitability margins as the company may have to sell its unsold inventory at discounts in adverse circumstances.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of RBPL is arrived at on a standalone basis after independent evaluation of its financial risk profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Positive: The ratings may be upgraded if the project is completed with the estimated time and without any significant increase in total debt, including other factors favoring an upgrade.

Negative: The rating may be downgraded if the completion takes more than estimated time and cost, while also putting a pressure on the debt servicing ability of the company.

LIQUIDITY: STRETCHED

The project has been delayed with consequent time and cost overruns. The company's principal repayments have been deferred by lenders till June 2021 due to availment of moratorium of 6 months. Continuous flow of customer's advances for booking of flats has helped the company to meet the cost escalation with minimal incremental capital contribution during the last year. Further, the liquidity is supported by the unsecured loans of ~ Rs 37 Crs (as on August 2020) aiding the capital structure of the company. Its ISCR stood at 2.79x as per FY20 (Prov.). The current ratio stood comfortable at 1.63x as per FY20 (Prov.)

COMPANY PROFILE

RBPL was incorporated on 9th December, 2010 as a Private Limited Company. The promoters of the company are engaged in the real estate business for two decades through the parent company, RHDL (rated BWR BBB/ Stable), which has developed the residential complexes, commercial complexes, apartments, guest houses, clubs, row houses, duplexes etc and holds 50% stake in RBPL. RBPL is executing a residential project named 'Ratan Pearls' in Sector-16, Noida.

FINANCIAL PERFORMANCE

Key Parameters	Units	2018	2019
Result Type		(Aud.)	(Aud.)
Operating Revenue	Rs Crs	0.00	102.14
EBITDA	Rs Crs	(0.03)	2.70
PAT	Rs Crs	0.00	0.76
Tangible Net worth (Analysed)	Rs Crs	14.85	15.92
Total Debt/Tangible Net worth (Analysed)	Times	2.60	2.93
Current Ratio	Times	1.96	1.64

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY FOR LAST THREE YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Instrument / Facility	Current Rating			Rating History						
	21 Sep 2020			29 May 2019			05 Feb 2018			2017
	Type	Amount (₹ Crs)	Rating	Type	Amount	Rating	Type	Amount	Rating	
Fund Based Term Loan	Long Term	45	BWR BB (Stable)	Long Term	45	BWR BB (Stable)	Long Term	45	BWR BB-(Stable)	NA
Total		45	INR Forty Five Crores Only							

Hyperlink/Reference to applicable Criteria

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

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Ratan Buildtech Pvt Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Union Bank of India	Term Loan	45	-	45
TOTAL			45	-	45

Total Rupees Forty Five Crores only.

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