

Ratnabhumi Developers Limited

October 31, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	100.00	CARE BBB-; Stable	Assigned

¹Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Ratnabhumi Developers Limited (RDL) derives strength from the company's adequate track record of successful projects through group concerns and the multiple projects under execution with satisfactory construction progress. It also factors in the healthy collection momentum, resulting in moderate reliance on external debt. The rating further considers RDL's resourceful promoters with vast experience in the real estate sector.

That said, the rating remains constrained on account of the moderate saleability risk and geographical concentration of its operations. The rating also takes cognisance of the inherent cyclical nature associated with the real estate sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of ongoing projects within the envisaged cost and time parameters.
- Timely booking and receipt of customer advances as envisaged.
- Higher-than-envisaged cash flows by 20%.

Negative factors

- Time overruns in execution of the ongoing projects by more than six months from the expected date of completion.
- Delay in receipt of advances from the booked units or slower-than-envisaged bookings of the unsold units.
- Cost overrun of more than 20% in any of the three ongoing projects.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the vast experience of the promoters in the Ahmedabad real estate market and the adequate collection momentum. The stable outlook also reflects the expected completion of all the projects within the estimated time and cost parameters and the sale of the non-booked units as envisaged, with the timely receipt of funds from customers.

Detailed description of the key rating drivers

Key strengths

Multiple projects under execution with satisfactory construction progress

RDL is currently executing three mixed-development projects (residential and commercial) with around 11.58 lakh sq ft (lsf) of saleable area, namely, Turquoise Greenz, Turquoise Grandeure, and Turquoise Dreamz.

Turquoise Dreamz has achieved over 85% of construction progress and is expected to be completed by January 2024. The other two projects, i.e., Turquoise Greenz and Turquoise Grandeure have achieved over 84% and 75% of the construction progress, respectively, and are expected to be completed by June 2024. Thus, the projects exhibit satisfactory progress and timely completion remains key rating monitorable.

Healthy collection momentum

The company has received customer advances to the extent of 58% of the total sales value of ₹136.92 crore for all the three projects as on September 25, 2023. This results in moderate reliance on external debt for the project completion, as indicated by around 34% of the total project cost incurred having been funded through debt, while the balance cost of 66% having been funded through customer advances (36%) and promoter contribution and creditors (30%).

Furthermore, the committed receivable from the sold units remains sufficient to cover the balance construction costs for all the projects combined. Timely receipt of the same remains a key rating monitorable.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Resourceful promoters with regional track record

RDL is part of the Ahmedabad-based Ratna group. Founded by Jitendra Shah during the early 1980s, the Ratna group is now being managed by his son, Kaivan Shah, who has an experience of more than 15 years in the real estate development industry. To date, the Ratna group has completed 19 projects (commercial and residential) in and around Ahmedabad, with a cumulative construction area of nearly 20 lsf. Furthermore, the promoters also have a sizeable land bank in the vicinity of Ahmedabad, which provides financial flexibility for future projects.

Key weaknesses

Moderate saleability risk

As on September 25, 2023, RDL has sold 48% of the total inventory in all the three projects, leading to moderate saleability risk for the timely sales of the balance units at envisaged rates. The sales velocity of its three-BHK projects (Turquoise Greenz and Turquoise Dreamz) remained moderate with 55% and 52% of the units booked, respectively, while the same for its four-BHK project (Turquoise Grandeure) stood low with 34% of the units booked. As against this, RDL has already incurred over 80% of the cost for all the three projects.

The booking velocity is expected to improve with projects nearing completion, which will remain crucial from the credit perspective.

Geographical concentration of its operations

All the projects of RDL are in the vicinity of Ahmedabad, resulting in significant geographical concentration. Any downturn in these micro markets can impact the cash flows adversely.

Presence in the cyclical real estate sector

The real estate sector in India is highly fragmented with most of the real estate developers having a city-specific or region-specific presence. The real estate sector is also sensitive to the macroeconomic cycle and interest rates. Any adverse movement in interest rate affects the real estate players in both ways – by hampering demand as well as increasing the cost of construction.

Liquidity: Adequate

RDL's liquidity position remains adequate, as reflected by the satisfactory response for its ongoing projects coupled with the satisfactory customer collection. As on March 31, 2023, the committed receivables from the sold inventory stood at ₹57.18 crore, constituting around 52% of the total pending construction cost and outstanding debt.

During the trailing 12 months ended September 30, 2023, the firm received around ₹55.09 crore, reflecting healthy collection efficiency. Majority of the repayments for the company are expected to begin from April 2025, providing cushion to its liquidity profile.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Nonfinancial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology for Real estate sector](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

Incorporated in July 2007, RDL is a real estate development company and a part of the Ahmedabad-based Ratna group. Founded by Jitendra Shah during the early 1980s, the Ratna group is now being managed by his son, Kaivan Shah. The company has executed a total of 19 residential and commercial projects to date and is currently executing three mixed-development projects.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	1.76	0.66
PBILDT	4.24	7.43
PAT	0.43	0.23
Overall gearing (times)	1.20	3.12
Interest coverage (times)	1.66	1.06

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Infomeric, vide its press release dated August 18, 2023, migrated the ratings of RDL under the 'Issuer non-cooperating' category in the absence of requisite information from the company to carry out a review.

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Term loan-Long term		-	-	March 2026	100.00	CARE BBB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Term loan-Long term	LT	100.00	CARE BBB-; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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