

Radiance Realty Developers India Limited

March 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	347.98 (Reduced from 497.06)	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	36.23 (Reduced from 42.33)	CARE A3+	Reaffirmed
Non Convertible Debentures	60.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale & key rating drivers

Ratings assigned to the bank facilities of Radiance Realty Developers India Limited (RRDIL) continue to factor in the promoters' long-standing experience in the construction industry, and regular funding support. Ratings also factor in favourable location of projects, diversifying geographical presence, and satisfactory sales booking and collections achieved in respect of on-going projects.

However, ratings are constrained by the moderate capital structure, project implementation risk associated with the new project launches where construction is in its early stage with high debt dependence, concentration of operations which are primarily confined to the Chennai region as diversification efforts are at nascent stage, exposure to group entities, and inherent cyclical and intense competition in the real estate industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Improving scale of operations with total operating income (TOI) above ₹600 crore and increasing level of diversification in revenue stream and geography
- Improving capital structure with overall gearing below 1.00x and improving coverage indicators and building up liquidity buffer on a sustained basis.

Negative Factors

- Slowdown in the sales momentum of the on-going projects, leading to considerable decline in collections from the envisaged levels.
- Deteriorating capital structure on a sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects that RRDIL will continue to maintain healthy sales velocity as collections in its ongoing and upcoming projects, backed by its established position in the Chennai real estate market.

Detailed description of the key rating drivers

Key strengths

Experience of promoters and long operational track record

RRDIL promoted by K S Manian and his son, Varun Manian, was established in 2007 to carry out real estate business. The promoter family has been engaged in the construction business since 1949 through National Asphalt Products & Construction Co (NAPC). Post the sale of NAPC Ltd in early 2012, the promoters have been actively involved in the real estate business. While RRDIL's management is under the purview of Varun Manian and K.S. Manian, the day-to-day operations are managed by a team of experienced professionals. The company has executed 37 real estate projects (including plots) with a saleable area of 58.89 lakh square feet (lsf) and has current ongoing projects under implementation of 28.80 lsf as of December 2023.

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

Favourable location of projects across Chennai with diversification into Bangalore & Coimbatore markets

RRDIL has completed projects with total saleable area of 58.89 lsf (includes plots) including big-ticket projects such as 'Ivy Terrace', 'Shine Outright', 'Mandrin', 'Icon Outright', 'The Pride' and 'Suprema' among others. Currently the company is executing eight residential projects including projects in Bangalore (Hennur) and in Coimbatore (Veerakeralam). All the ongoing projects in Chennai are in up and coming locations such as Thiruvottiyur, Valasaravakkam etc. where the demand for residential projects is relatively better. The company is also executing projects in Tier-2 cities like Madurai and Villupuram, which is expected to enhance the brand position of RRDIL in southern regions of Tamil Nadu. Also, the company has completed one commercial office space project in FY20 which is providing stable lease rental income.

Joint development of properties in the on-going/future projects

The execution of the projects through joint development route is advantageous for the company as it involves limited cash outflow initially for the purchase of land. The joint development partner is compensated by transfer of built-up area to the landowner or by revenue sharing decided on a project-to-project basis. This arrangement also reduces the saleability risk for the project as the company's responsibility for sales is limited to its share. Six projects in Chennai were executed through joint development route from January 2020 to December 2023. Currently RRDIL is executing multiple joint development projects including big ticket projects 'Flourish' & 'RKKR' in Chennai and 'Regalia' in Coimbatore with total saleable area of 26.81 lsf.

Satisfactory booking status for the ongoing projects

RRDIL has completed five projects between January 2023 and December 2023, while another six projects are in their final stages of completion. With respect to the eight ongoing projects, the total progress (including land cost) achieved by RRDIL stood at 62% as on December 31, 2023. RRDIL has sold 56% of the inventory in the ongoing projects as on December 31, 2023. RRDIL has also launched new projects with total saleable area of 12.51 lsf in Q4FY24 and booking status is healthy which provides a healthy revenue visibility for the next two years. CARE Ratings expects sales revenue to remain healthy at around ₹500-600 crore in FY24, supported by healthy committed sales for ongoing projects and a satisfactory pipeline of upcoming projects.

Key weaknesses**Moderation in capital structure with increase in debt levels, albeit improvement in current year**

Total debt outstanding as on March 31, 2023, increased to ₹504 crore as against total debt of ₹386 crore as on March 31, 2022. The increase in debt was primarily due to construction finance availed for funding big ticket projects launched in FY23 which led to moderation in overall gearing to 2.40x as on March 31, 2023, compared to 1.92x as on March 31, 2022. However, healthy sales momentum witnessed in ongoing projects and higher than envisaged collections, have enabled RRDIL to start prepayment of loans. Term debt as on December 31, 2023, has reduced to ₹342 crore and overall gearing has improved to under 2.00x. The promoters have also infused equity to fund projects in the past, thus demonstrating their financial strength to support the operations. As on March 31, 2023, total unsecured loan from promoters stood at ₹19.42 crore as on March 31, 2023 (PY: ₹21.82 crore). CARE Ratings expects the financial risk profile of RRDIL to be comfortable in the medium term.

Project implementation risk

The company has achieved 62% construction progress vis a vis 56% of the inventory sales from the ongoing projects. The major revenue generation for the next two years will take place from the two new projects launched in Chennai in Q4FY24. While the land cost has been incurred for these projects, construction progress is in its early stages which exposes RRDIL to project implementation risk. Nevertheless, the project implementation risk is outweighed by the promoters' extensive experience in the construction business. The civil works are carried out by RRDIL's team, and the raw materials are procured by the company. Considering the gestation period of around 2 years for the completion, any volatility in the raw material prices will impact the cost of the project. However, the provision of contingencies in the form of escalation clause at the time of estimation of cost partially mitigates the risk of cost overrun.

Exposed to inherent risks associated with the real estate industry and intense competition in the segment

Major part of the company's operations is concentrated within Chennai and is exposed to risks associated with the real estate industry in the city. Any downturns in such micro markets due to structural reforms like implementation of GST, RERA norms and other factors like economic slowdown and natural calamities in the recent past may impact the developer's revenues, going forward. Also, the real estate market in Chennai is highly fragmented with numerous developers which adds to the competition in the region. The projects completed by the company in the past and a major portion of the on-going projects are situated in the Chennai region. This exposes the company to the regional concentration risk which is partly mitigated by the brand image enjoyed by the company in Chennai market. However, in recent years, RRDIL has started diversifying out of Chennai with projects in Bangalore, Coimbatore & Madurai regions reducing concentration risk to an extent.

Exposure to group companies

RRDIL exposure to group companies in the form of investments and loans & advances stood at ₹65 crore as on March 31, 2023, which is around 31% (PY: 29%) of RRDIL's net worth as on March 31, 2023. As on March 31, 2023, a major portion of the company's investments are in Radiance Real Estate Consultancy FZE (Dubai FZE Co) for ₹14.90 crore and in Manian Power Private Limited for ₹6.50 crore besides the related party loans of ₹44.56 crores.

Prospects

The scale of operations of the company witnessed improvement from FY19 to FY23 with addition of number of projects coupled with sales/execution subsequently. The company has launched three new projects in the current year. While booking levels of ongoing projects are satisfactory, realization of receivables and execution of upcoming projects in a timely manner are key to improving the scale of operations. Going forward, the ability of the company to launch new projects with increase in geographical diversification to scale up its operations and at the same time improve its capital structure would be the key rating sensitivities.

Liquidity: Adequate

The company's liquidity is adequate characterised by satisfactory customer collection and sales momentum and satisfactory cash & bank balances of ₹51 crore as on March 31, 2023. This apart, RRDIL also has receivables from sold inventory to the tune of ₹366 crores which can cover 95% of balance construction cost. RRDIL has sanctioned working capital limit to the tune of ₹ 10.3 crore and average utilisation of the working capital limits in the past 12 months ended Jan 2024 stood at 8%. The company expects to receive collections of ~₹500-550 crores in FY24. The cash flows from the operations of the company are expected to remain comfortable to service its upcoming debt obligations. Going forward, the ability of the company to maintain satisfactory sales booking in the ongoing projects and maintaining collection efficiency will be the key for enhancing the cash flow position of the company.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

[Short Term Instruments](#)

About the entity and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

RRDIL is engaged in the development of residential real estate projects primarily in Chennai, Tamil Nadu and has recently diversified into Bangalore and Coimbatore regions. The company was promoted by Varun Manian, s/o K. S. Manian. The promoters diversified into real estate and started NAPC Properties in March 2007. Subsequently, the company's name was changed to the current form in December 2011. The company has completed 37 residential projects involving an area of 58.89 Isf (including plots) in the past and is currently executing eight residential projects with a saleable area of 31.34 Isf including two recent launches. In FY20, RRDIL developed a commercial office space in Guindy (Chennai) measuring 0.39 Isf, which is already leased. Rental income from these properties is in the range of ₹4-5 crore per annum.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	442.48	422.28	NA
PBILD	37.99	32.43	NA
PAT	18.61	8.97	NA
Overall gearing (times)	1.92	2.40	NA
Interest coverage (times)	0.81	0.47	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

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 covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of 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
Debentures-Non-convertible debentures	INE01TJ07114	07-Feb-2023	12	31-12-2025	35.00	CARE BBB+; Stable
Debentures-Non-convertible debentures	INE01TJ07122	10-Mar-2023	12	27-02-2027	25.00	CARE BBB+; Stable
Fund-based - LT-Term loan		-	-	01-11-2031	347.98	CARE BBB+; Stable
Fund-based - ST-Bank overdraft		-	-	-	15.30	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	20.93	CARE A3+

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	Fund-based - LT-Term loan	LT	347.98	CARE BBB+; Stable	1)CARE BBB+; Stable (04-Apr-23)	-	1)CARE BBB+; Stable (28-Mar-22)	1)CARE BBB+; Stable (15-Feb-21) 2)CARE BBB+; Negative (11-May-20) 3)CARE BBB+; Stable (07-Apr-20)
2	Fund-based - ST-Bank overdraft	ST	15.30	CARE A3+	1)CARE A3+ (04-Apr-23)	-	1)CARE A3+ (28-Mar-22)	1)CARE A3+ (15-Feb-21) 2)CARE A3+ (11-May-20) 3)CARE A3+ (07-Apr-20)
3	Non-fund-based - ST-Letter of credit	ST	20.93	CARE A3+	1)CARE A3+ (04-Apr-23)	-	1)CARE A3+ (28-Mar-22)	1)CARE A3+ (15-Feb-21) 2)CARE A3+ (11-May-20) 3)CARE A3+ (07-Apr-20)

4	Debentures-Non convertible debentures	LT	-	-	-	-	1)Withdrawn (28-Mar-22)	1)CARE BBB+; Stable (15-Feb-21) 2)CARE BBB+; Negative (11-May-20) 3)CARE BBB+; Stable (07-Apr-20)
5	Debentures-Non convertible debentures	LT	-	-	1)Withdrawn (04-Apr-23)	-	1)CARE BBB+; Stable (28-Mar-22)	-
6	Debentures-Non convertible debentures	LT	60.00	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	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Term loan	Simple
3	Fund-based - ST-Bank overdraft	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated Not applicable

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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