

Press Release**M/s. Royal Realtors****December 26, 2018****Rating**

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Debt – Term Loan	18.35*	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	18.35	

Outstanding as on December 05, 2018*Details of Facilities are in Annexure I****Detailed Rationale**

The ratings derive strength from the experience of promoters and sustained track record of the firm, favourable location of the project and the project nearing completion. The ratings, however, are constrained by constitution of the firm, pending regulatory approvals, moderate booking status and exposure to risks relating to cyclicalities in real estate industry. Sale of inventory at proposed rates and timely receipt of customer advances are the key rating sensitivities.

Detailed Description of the Key Rating Drivers**Key Rating Strengths****Experienced Promoters and sustained track record**

The firm is promoted by Mr. Premji Shah, Mr. Himmatlal Kachhara and Mr. Devan Shah. The promoters have an experience of over three decades in the construction business. The firm has shown track record of successfully constructing various projects in past out of which most projects are under the SRA scheme.

Favourable Location

The project is strategically located in the Malad suburb of Mumbai, which is an upscale locality. The location of the project provides direct connectivity to all major points of the city. The project has proximity and easy access to schools, shopping areas, hospitals, and other public amenities.

Project nearing completion

The project is nearing completion with only the finishing work left in Royal Pearl tower. The other tower, Royal Sankalp is already complete and the OC for the same has also been received. The project execution risk is negated by the fact that ~96% of project is complete.

Key Weaknesses

Constitution of the firm

Due to its constitution of being a partnership firm, the entity has the risk of withdrawal of partner's capital at the time of contingency. Also, the firm has limited access to external borrowings from lenders due to its constitution.

Pending regulatory approvals

Although the firm has received all approvals related to construction of project. However, Occupancy Certificate (OC) for Royal Pearl is pending and is expected in the next few months. Statutory clearances from High Rise Committee, Fire Department have also been received.

Moderate booking status

The firm has sold ~33,800 sq. ft. of the total saleable area of ~45,580 sq. ft. (approximate 74% of the total project) and booked revenue of Rs.55.06 crore as on December 5, 2018. The booking status (74%) of the project appears moderate given the fact that the project is ~96% complete.

Exposure to risks relating to cyclical in real estate industry

Cyclical in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of the company.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Real Estate

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

About the Company

M/s. Royal Realtors (RR) was established as a partnership firm in the year 2006. The firm is involved in construction and redevelopment of residential projects in Mumbai. The firm focuses on suburban regions of Mumbai like Malad, Kandivali, Ghatkopar, Sion etc. catering to middle class segments. The firm has completed construction work for over 1.2 million sq. ft. of residential and commercial space approximately worth Rs.401 crore. The firm majorly undertakes construction of residential tower under SRA schemes. Over the last decade, the firm has completed various projects across the suburbs. The firm is promoted by Mr. Premji Shah, Mr. Himmatlal Kachhara, and Mr. Devan Shah. Mr. Premji Shah is the CEO and Managing Partner of the firm. Presently, the firm is involved in the construction of a tower with two wings (Royal Pearl and Royal Sankalp respectively).

Financials (Standalone)

(Rs. crore)

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	18.49	22.48
EBITDA	3.31	3.36
PAT	0.49	0.75
Total Debt	18.58	23.56
Tangible Networth	8.28	12.26
<u>Ratios</u>		
EBITDA Margin (%)	17.91	14.94
PAT Margin (%)	2.40	3.00
Overall Gearing Ratio (x)	0.65	0.64

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Term Loan	Long Term	18.35	IVR BB+/Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Long Term Debt – Term Loan	--	--	March 2020	18.35	IVR BB+/Stable Outlook