



Press Release

Raghuvir Developers and Builders

August 21, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	364.60* (including proposed limit of Rs.120.00 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities – Bank Overdraft	5.40	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	370.00 (Rupees Three hundred and seventy crore only)				

* Outstanding as on July 31, 2024. Rs.37.75 crore pending to be disbursed.

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Raghuvir Developers and Builders (RDB) considers the close operational and financial linkages between Raghuvir Corporation (RC) and RDB (commonly referred to as Raghuvir group). The ratings continue to derive strength from its experienced promoters with demonstrated long track record of operations of the Raghuvir Group and its strong project execution capabilities. The ratings also positively note the receipt of necessary approvals for all the ongoing projects and moderate level of sales for the completed commercial projects residential projects. The ratings also consider the presence of adequate land banks for future projects. However, these rating strengths remain constrained due to exposure to project execution risk for the ongoing residential projects, high dependence on debt and customer advances for project funding, leveraged capital structure with moderate debt coverage indicators of the group, exposure to geographical concentration risk and exposure to cyclicalities in the real estate industry.

The stable outlook on the rating reflects Infomerics's opinion that the Raghuvir Group will continue to benefit from its experienced promoters and the group's established presence in the real estate segment.

Key Rating Sensitivities:



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Upward Factors

- Timely completion of the ongoing project without any time or cost overrun
- Increase in bookings for the launched projects with timely receipt of advances
- Improvement in capital structure with overall gearing below 1.5x on a sustained basis

Downward Factors

- Delay in completion of project with time and cost overrun
- Lower than expected booking status

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with demonstrated long track record of operations of the Raghuvir Group

Surat, Gujarat based Raghuvir group has a track record of over three decades in the real estate sector and it has developed over 30 residential and commercial real estate projects across Surat, Gujarat. Both the firms i.e., Raghuvir Developers and Builders (RDB) and Raghuvir Corporation (RC) are managed by a team of seven partners and their family members. The senior partners of the firm Mr. Shival S. Ponkia, civil engineer by qualification, Mr. Chandubhai J. Korat, commerce graduate by qualification and Mr. G.R. Asodaria, Chartered Accountant by qualification have an experience of over three decades in the real estate sector and are actively involved in the overall operations of the group. They are supported by the other partners and a team of qualified and experienced professionals in managing the day-to-day affairs of the group.

Strong project execution capabilities

The group has satisfactory execution capabilities as evident from projects delivered in the past. The group is associated with renowned architects, marketing agents and consultants who have proved their mettle in the field. Further, the group's current on-going projects are in Surat, Gujarat and are equipped with modern facilities/ amenities.

Necessary approvals for all ongoing projects in place

RDB and RC currently has three on-going projects (Sierra, Spelito and Sheron) with 10.88 lsf (lakh square feet) area at different stages of execution. The firms have received necessary approvals for all its ongoing projects, mitigating the regulatory risks in entirety.

Moderate level of sales for the completed and ongoing projects of the Group



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RDB presently has seven completed projects out of which four are commercial projects and three are residential projects (Celeum, Platinum, Trade Center, Scarlet, Spalex, Satva and Spectrum). While projects namely Celeum, Platinum, Trade Center and Scarlet were completed in FY2021 [FY refers to the period from April 1 to March 31] and FY2022, Spalex, Satva and Spectrum were completed in the current fiscal year. Further, the firm has two ongoing projects namely Sierra and Spelito which are also launched for sale, though they are relatively at a nascent stage of construction. The aforementioned projects with a total saleable area of 62.15 lsf and estimated sales value of Rs.1618.61 crore have received a moderate level of response. RDB has received bookings for 31.11 lakh square feet (~51% of the total saleable area) giving tied up receivables of Rs.764.95 crore (~47% of total estimated sales value) till June 30, 2024. Out of the total tied up receivables, RDB has received customer advances of Rs.641.28 crore (~84% of total tied up receivables) till June 30, 2024, which indicates comfortable cash flow position of the company. Out of the completed projects, the bookings for Scarlett and Spalex is comparatively lower because of intense competition from similar projects in the area and Spalex has recently received Occupancy Certificate in April 2024, and the sales is expected to increase in the near term. Satva has also received occupancy certificate in July 2024 while occupancy certificate has been applied for Spectrum and is expected to be received by August 31, 2024. The sales for both these projects, given the fact that the same has been recently completed is satisfactory. RC only has one ongoing residential project name, Sheron with a total saleable area of 4.46 lsf which is also at its very nascent stage. The firm has sold 0.09 lakh square feet (~2% of the total saleable area) giving tied up receivables of Rs.4.84 crore (~2% of total estimated sales value) till June 30, 2024. Out of the total tied up receivables, RC has received customer advances of Rs.1.96 crore (~41% of total tied up receivables) till June 30, 2024. The sales are expected to pick up once the project achieves occupancy certificate, which is December 2027 as per RERA. Improving sales momentum and timely receipt of customer advances are critical from a rating perspective.

Adequate land bank

Raghuvir group and its partners are having a large low-cost freehold land bank of 6,94,175 square meter at prime locations in Gujarat which provides the group a strong market position, supports profitability and lends a significant competitive advantage over other real estate developers.



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Key Rating Weaknesses

Intermediate stage of several ongoing projects indicating execution risk

The group's ongoing projects namely, Sierra, Spelito and Spectrum are in the mid stage of development. The group has spent around 45% of the total estimated project cost till June 30, 2024. Though these projects have received necessary approvals and construction work has already begun, project execution risk exists for the new projects. Given the good reputation and stronghold of Raghuvir Group across Surat, Gujarat, project execution and sale ability risk is relatively low. However, the construction progress and level of response received for the newly launched projects would remain a key rating monitorable, going forward.

High dependence on debt and customer advances for project funding

The group is largely dependent on debt and customer advances for funding of its ongoing project. As on June 30, 2024, the total cost of the 3 ongoing projects (Sierra, Spelito and Sheron) which are already launched for sale is estimated at Rs.340.73 crore which is proposed to be funded through promoter's contribution/ internal accruals of Rs.95.39 crore, debt of Rs.169.00 crore and the balance through customer advances. Out of the total cost, as on June 30, 2024, the company incurred the company incurred Rs.154.01 crore, which was funded through a mix of promoter's contribution, debt and customer advances. Higher dependence on customer advances indicates execution risk going forward. Also increased debt levels create a pressure on the capital structure and leads to increase in project cost to the extent of high interest outgo. However, demand of quality real estate in and around Surat and vast experience of the promoters imparts comfort.

Leveraged capital structure coupled with moderate debt coverage indicators

The debt profile of the group consists of loans from banks, financial institutions and unsecured loans from partners and related parties (unsubordinated). The capital structure of the group (considering the combined financials of RDB and RC) remained moderately leveraged with long term debt equity ratio of 1.64x and overall gearing of 1.66x as on March 31, 2024 (Prov.) as against long term debt equity ratio of 1.60x and overall gearing of 1.62x as on March 31, 2023. The marginal moderation in capital structure is due to increase in debt levels to fund the ongoing projects. Total indebtedness as reflected by TOL/TNW remained comfortable at 1.97x as on March 31, 2024 (Prov.).



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The debt coverage indicators remain moderate with ICR of 1.09x in FY2024 (Prov.) as against 1.10x in FY2023 due to huge amount of interest expense owing to the leveraged capital structure of the group. Total debt/EBITDA also remained moderate at 8.32x as on March 31, 2024 (Prov.) as against 8.14x as on March 31, 2023. The group repays its debt from the advance received from the customers.

Exposure to geographical concentration risk

All the past and ongoing projects of the Raghuvir group are in Surat, Gujarat which exposes the company to geographical concentration risk. Any adverse movement in the regional real estate market can impact the overall operations of the company. However, the strong hold of the promoters in the real estate market of Gujarat mitigates the concentration risk to a certain extent.

Exposure to risks relating to cyclicity in real estate industry

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realization and salability. This may affect the debt servicing ability of the company. The Raghuvir group will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach: Combined

Infomerics has considered the combined business and financial risk profiles of Raghuvir Developers and Builders (RDB) and Raghuvir Corporation (RC) commonly referred as Raghuvir group together to arrive at the rating as these entities are under a common management and have operational linkages with cash flow fungibility. Moreover, RDB has extended corporate guarantee towards the bank facilities availed by RC. List of entities considered for combined analysis is given at Annexure 4.

Applicable Criteria:

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria – Complexity Level of Rated Instruments/Facilities](#)

[Consolidation of companies](#)

[Rating Methodology for Real Estate Entities.](#)

Liquidity – Adequate



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Raghuvir group has adequate liquidity marked by committed customer receivable (out of already sold area) of Rs.126.55 crore as on June 30, 2024, which is expected to increase gradually with increase in bookings due to favourable response to the projects developed by the group against debt repayment obligation of Rs.179.49 crore for FY2025 fiscal year. Furthermore, the promoters are also well experienced in the real estate market and resourceful having high financial flexibility which imparts comfort. The combined free cash and bank balance as on March 31, 2024, remained at 7.57 crore which is likely to support the liquidity position of the group in the near to medium term.

About the Firm

Established in November 2006 as a partnership firm, Raghuvir Developers and Builders (RDB) is a flagship entity of the Raghuvir group and is engaged in development of residential and commercial real estate projects in Surat, Gujarat. The firm has developed more than 28 projects during the last three decades and also has a huge land bank across Gujarat spanning over 7 lakh square meters. Currently, the firm has seven completed projects with unsold inventory and two ongoing projects which are already launched for sale.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	125.49	140.31
EBITDA	69.73	71.31
PAT	6.24	7.03
Total Debt	561.98	578.42
Tangible Net worth	357.12	362.77
EBITDA Margin (%)	55.57	50.82
PAT Margin (%)	4.95	4.97
Overall Gearing Ratio (x)	1.57	1.59
Interest Coverage (x)	1.10	1.10

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information:

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 18, 2023	-	-
1	Term Loan	Long Term	364.60 * (including proposed limit of Rs.120.00 crore)	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2	Bank Overdraft	Short Term	5.40	IVR A3	IVR A3	-	-

* Outstanding as on July 31, 2024. Rs.37.75 crore pending to be disbursed.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



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Annexure 1: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	January 2026	39.00	IVR BBB-/Stable
Term Loan	-	-	-	October 2025	14.23	IVR BBB-/Stable
Term Loan	-	-	-	December 2024	13.14	IVR BBB-/Stable
Term Loan	-	-	-	October 2029	63.00*	IVR BBB-/Stable
Term Loan	-	-	-	March 2027	41.67	IVR BBB-/Stable
Term Loan	-	-	-	March 2026	2.95	IVR BBB-/Stable
Term Loan	-	-	-	March 2027	3.80	IVR BBB-/Stable
Term Loan	-	-	-	October 2033	4.25	IVR BBB-/Stable
Term Loan	-	-	-	October 2026	3.60	IVR BBB-/Stable
Term Loan	-	-	-	July 2032	8.36	IVR BBB-/Stable
Term Loan	-	-	-	October 2026	34.60	IVR BBB-/Stable
Term Loan	-	-	-	November 2026	16.00*	IVR BBB-/Stable
Term Loan (Proposed Limit)	-	-	-	-	120.00	IVR BBB-/Stable
Bank Overdraft	-	-	-	On demand	5.40	IVR A3

*Rs. 37.75 crores pending to be disbursed



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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Raghuvir-Developers-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of entities considered for Combined analysis:

Name of the Entity	Consolidation/Combined Approach
Raghuvir Developers and Builders	Combined Approach
Raghuvir Corporation	Combined Approach

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.