



Press Release

Raghuvir Developers and Builders

July 18, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	364.60	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	5.40	IVR A3 (IVR A Three)	Assigned	Simple
Total	370.00 (INR Three hundred and seventy crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Raghuvir Developers and Builders considers the close operational and financial linkages between Raghuvir Corporation and Raghuvir Developers and Builders (commonly referred as Raghuvir group). The rating derive strength from its experienced promoters with demonstrated long track record of operations of the Raghuvir Group coupled with strong project execution capabilities. The rating also positively notes the receipt of necessary approvals for all the ongoing projects and satisfactory level of sales for the completed commercial projects and ongoing residential projects which are near completion. The rating also considers the presence of adequate land banks for future projects. However, these rating strengths remain constrained due to exposure to project execution risk for recently launched 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 cyclicity in the real estate industry.

Key Rating Sensitivities

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:



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

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) is 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 agent and consultants who have proved their mettle in the field. Further, group's current on-going projects are located in Surat, Gujarat and are equipped with modern facilities/ amenities.

- **Necessary approvals for all ongoing projects in place**

RDB and RC currently has six on-going projects (Spectrum, Satva, Spalex, Sierra, Spelito and Sheron) with 25.94 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.

- **Satisfactory level of sales for the completed commercial projects and ongoing residential projects which are near completion, albeit project execution risk for the recently launched residential projects**

RDB presently has four completed commercial projects (Celeum, Platinum, Trade Center and Scarlet) which got completed in FY2021 and FY2022 and three ongoing residential projects



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(Spectrum, Satva and Spalex) which is completed to the extent of ~85-90% as per the latest available LIE report. The aforementioned projects with total saleable area of 55.72 Isf and estimated sales value of Rs.1397.52 crore have received satisfactory response. The firm has already received bookings for 24.11 Isf (43% of total saleable area) with total sales value of Rs.576.55 crore (~41% of total estimated sales value) as on May 31, 2023. RDB has already received Rs.423.33 crore (~75% of total booked sales) till May 31, 2023 which indicates comfortable cash flow position of the company. Improving sales momentum and timely receipt of customer advances are critical from a rating perspective.

Apart from the above, RDB has recently launched two residential projects (Sierra and Spelito) and RC has launched one residential project (Sheron) during March-May 2023 which are at its nascent stage of construction. 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.

- **Adequate land bank**

Raghuvir group and its partners are having a large low-cost freehold land bank of 6,94,175 square metre 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.

Key Rating Weakness:

- **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 May 31, 2023 the total cost of the 6 projects (Spectrum, Spalex, Satva, Sierra, Spelito and Sheron) which are already launched for sale is estimated at Rs.636.54 crore which is proposed to be funded through promoter's contribution/ internal accruals of Rs.195.24 crore, debt of Rs.321.00 crore and the balance through internal accruals. Out of the total cost, as on May 31, 2023 the company incurred the company incurred Rs.298.85 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



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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 1.60x and overall gearing of 1.63x as on March 31, 2023 (Prov.) as against long term debt equity ratio of 1.47x and overall gearing of 1.48x as on March 31, 2022. The moderation in long term debt equity ratio and overall gearing in FY2023 (Prov.) is due to significant increase in unsecured loans from Rs.100.80 crore as on March 31, 2022, to Rs.161.11 crore as on March 31, 2023 (Prov.) to fund the operations of the group. Total indebtedness as reflected by TOL/TNW remained comfortable at 1.96x as on March 31, 2023 (Prov.).

The debt coverage indicators remained moderate with ICR of 1.11x in FY2023 (Prov.) as against 1.07x in FY2022 due to huge amount of interest expense owing to the leveraged capital structure of the group. Total debt/EBITDA also remained moderate at 8.54x in FY2023 (Prov.) as against 8.77x in FY2022. 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 located 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 realisation 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) together referred to as the



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'Raghuvir Group' to arrive at the rating as these entities are under a common management and have business and financial linkages. List of entities considered for combined analysis is mentioned in Annexure 2.

Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)

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

[Criteria of assigning Rating Outlook](#)

Liquidity Position: Adequate

Raghuvir group has adequate liquidity marked by committed customer receivable (out of already sold area) of Rs.145.79 crore as on May 31, 2023 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.151.21 crore for FY2024 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 May 31, 2023 remained at 7.10 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 Raghvir 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 metres. Currently, the firm has four completed projects with unsold inventory, three ongoing projects and two upcoming projects which has been recently launched for sale.

Financials: Combined

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Combined	Combined
Total Operating Income	73.52	127.77
EBITDA	59.23	66.67
PAT	3.76	6.36
Total Debt	519.64	569.68
Tangible Net worth	352.26	350.43
EBITDA Margin (%)	80.57	52.18



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For the year ended* / As On	31-03-2022	31-03-2023
PAT Margin (%)	5.08	4.98
Overall Gearing Ratio (x)	1.48	1.63

*Classification as per Infomerics' standards.

#RC is not eligible for audit since turnover/gross receipts is less than Rs. 1.00 crore.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	73.52	127.76
EBITDA	57.42	64.88
PAT	3.76	6.36
Total Debt	501.10	552.79
Tangible Net worth	349.66	347.83
EBITDA Margin (%)	78.10	50.78
PAT Margin (%)	5.08	4.98
Overall Gearing Ratio (x)	1.43	1.59

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

The rating continues to remain under Issuer Not Cooperating category from Brickwork Ratings as per press release dated May 30, 2023, due to non-provision of information for monitoring of rating and non-payment of surveillance fees.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan/GECL	Long Term	364.60 *	IVR BBB-/Stable	-	-	-
2.	Bank Overdraft	Short Term	5.40	IVR A3	-	-	-

*Disbursement of Rs.31.12 crore is pending as on March 31, 2023

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About Infomerics:



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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loan	-	-	December, 2024	151.15	IVR BBB-/Stable
Term Loan – CGECL	-	-	December, 2025	5.50	IVR BBB-/Stable
Term Loan – CGECL	-	-	March, 2027	4.25	IVR BBB-/Stable
Term Loan	-	-	June, 2032	9.38	IVR BBB-/Stable
Term Loan	-	-	October, 2026	5.72	IVR BBB-/Stable
Term Loan	-	-	September, 2026	65.00 *	IVR BBB-/Stable
Term Loan	-	-	March, 2026	40.00 *	IVR BBB-/Stable



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Term Loan	-	-	July, 2025	25.60 *	IVR BBB-/Stable
Term Loan	-	-	January, 2026	58.00	IVR BBB-/Stable
Bank Overdraft	-	-	On demand	5.40	IVR A3
Total	-	-	-	370.00	

**Disbursement of Rs.31.12 crore is pending as on March 31, 2023*

Annexure 2: List of companies considered for consolidated analysis:

Name of the Entity	Consolidation Approach
Raghuvir Developers and Builders	Full consolidation
Raghuvir Corporation	Full consolidation

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-rdb-jul23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.