



Infomerics Valuation And Rating Pvt. Ltd

Press Release

Radius & Deserve Land Developers Private Limited

June 11, 2018

Rating

Instrument/Facility	Amount (Rs. Crores)	Rating	Rating Action
Non-Convertible Debentures	302.00	IVR BB-/Stable Outlook (IVR Double B minus with Stable Outlook)	Reaffirmed
Total	302.00		

Details of Facilities are in Annexure I

Detailed Rationale

The rating is constrained by continuing delays in implementation of the project, transfer of a large amount of funds mobilised to a group company, the recovery of which is uncertain, non-receipt of clearances and high debt funded nature of the project. However, the rating derives comfort from good & fairly accessible location of the project site, promoters having modest experience in implementing real estate projects in Mumbai, receipt of Letter of Intent (LoI) from Slum Rehabilitation Authority and expected group support for repayment of debt.

Availability of funds from the group for repayment of debt is the key rating sensitivity.

List of Key Rating Drivers

- Continuing delays in implementation of the project
- Transfer of a large amount of funds mobilised to a group company, the recovery of which is uncertain
- Non-receipt of clearances
- High debt funded nature of the project
- Good & fairly accessible location of the project site
- Promoters' having modest experience in implementing real estate projects in Mumbai
- Receipt of Letter of Intent (LoI) from Slum Rehabilitation Authority
- Expected group support for repayment of debt



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Detailed Description of the Key Rating Drivers

Key Rating Weakness

Continuing delays in implementation of the project

The construction of the project was to commence in July 2017, but the same has not started yet. There is a transmission tower belonging to Tata Power, which needs to be shifted. The shifting of high tension transmission lines has not been done yet due to pending approvals. The same is expected to be complete in another six months' time, as per the management. This is one of primary reasons for the delay in the execution of the project.

Transfer of a large amount of funds to a group company

Of the funds mobilised largely by way of NCD issue, substantial portion has been transferred to a group company, Radius & Deserve Builders LLP, being engaged in construction of a real estate project, Central Park (Chembur), an eastern suburb of Mumbai. Considering the lending bank's covenant associated with handling of the funds for the project, the recovery of such amount seems to be uncertain.

Non-receipt of clearances

The company requires obtaining clearance from the Ministry of Environment & Forest in view of proximity of Sanjay Gandhi National Park at a distance of about 2 kms from the project site. NOC from High Rise Committee and Fire Department is also awaited. These approvals are expected to get cleared once the new layout is finalized post the shifting of transmission tower.

High debt funded nature of the project

The overall debt for the project is high at Rs. 417 crores as against equity/unsecured loans of around Rs. 13.42 crores.

Key Rating Strength

Good & fairly accessible location of the project site

The real estate project being set up by RDLDP is at a distance of 1.5 kms location from Western Express Highway, Borivali and 3 kms from Borivali Railway Station. Thus, the project site is well accessible by road as well as rail. Further, the project site is about 8 kms



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from the office locality of Goregaon indicating that there is likely to be significant demand from the potential buyers.

Promoters' having modest experience in implementing real estate projects in Mumbai

RDLDP is a special purpose vehicle, being in 50:50 joint venture between Radius group and Deserve group, for setting up a slum rehabilitation & redevelopment project at Borivali, Mumbai. Deserve group will handle the negotiations with the slum dwellers and Radius group will be responsible for construction & sale of residential apartments in the project. Radius group has, in its credit, having successfully developed & delivered over 6 million sq. ft. of prime residential and commercial real estate properties and it has emerged as one of the largest developers in Bandra Kurla Complex – the premier commercial business district of Mumbai. The Deserve group, having been in operation since 2006, has specialization in slum rehabilitation & redevelopment projects.

Receipt of Letter of Intent (LoI) from the Slum Rehabilitation Authority

RDLDP has obtained the LoI from the Slum Rehabilitation Authority (SRA) after adhering to the rigorous process, indicating that the majority of the slum dwellers have agreed to the rehabilitation proposal. But since the construction did not start on time, the LoI will have to be revalidated from SRA.

Expected group support for repayment of debt

The project is delayed significantly and the company is dependent upon the cash flow of the group for the repayment of the rated NCDs, which are scheduled to be repaid in September 2018. The group is expected to receive cash flows in the form of Development Management fees from 9 on-going projects and refund of security deposit in one of its major project, which would be primarily transferred to RDLDP, and would be utilised for repayment of the rated NCDs.

Analytical Approach & Applicable Criteria

Rating Methodology for Real Estate Entities

Financial Ratios & Interpretation (Non-Financial Sector)

Default Recognition & Post-Default Curing Period



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About the Company

Radius & Deserve Land Developers Pvt. Ltd (RDL DPL) is a real estate development company. It is currently engaged in the execution and development of a Slum Rehabilitation Residential project at Borivali (off Western Express Highway) in Mumbai. The initial area of the project was 12,13,995 sq. ft. which has been subsequently increased to 13,16,295 sq. ft. consequent to increase in the number of tenants to be rehabilitated thereby resulting in a change in the total saleable area of the project. RDL DPL is a 50:50 JV of Radius group and the Deserve group; both are well known in the real estate market of Mumbai. Radius group has its presence in the premium housing and commercial real estate space in Mumbai. The Deserve group has its presence largely in real estate involving slum rehabilitation and redevelopment of old properties. Raghuleela Builders Private Limited is the flagship company of the group owning the registered trade mark for the brand "Radius". Radius group set up in 1994 operates out of Mumbai's commercial hub, Bandra Kurla Complex. The company has had a track record of successful delivery of premium projects across Mumbai in commercial as well as residential segments. In the past, Radius has developed over 6 million sq. ft. of prime residential and commercial real estate properties. Starting its journey with developing commercial projects in BKC, the group has diversified into the residential segment also. The group currently has 8 ongoing projects with potential saleable area of 20 million sq. ft. The upcoming residential projects are TEN BKC (BKC), 64 Greens (Santacruz), Harbour Heights (Mazgaon), Imperial Heights (Goregaon), 7 Hughes (Hughes Road), Avenue 54 (Santacruz), Anantya (Chembur) and One Aquaria (Borivali). These projects are evidently spread across the island city.

Financials

The actual implementation of the project has not started yet. Hence, the financials do not reflect any meaningful indication.

Status of non-cooperation with previous CRA: N.A



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Any other information: Nil

Disclosure:

Rating History for last three years:

Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	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
NCD	Long Term	302.00	IVR BB-/Stable Outlook		IVR BB-/Stable Outlook (March 25, 2017)	IVR BBB-(SO)/Stable Outlook (February 9, 2016)

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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
Non-Convertible Debentures	Multiple tranches between 18 th September 2015 to 12 th February 2016	22% (Effective yield)	September 2018	302.00	IVR BB-/Stable outlook (Double B Minus/ Stable outlook)