



Infomerics Valuation and Rating Pvt Ltd

Press Release

Radius & Deserve Land Developers Pvt. Ltd.

March 25, 2017

Rating

Instrument	Amount	Rating	Rating Action
Non Convertible Debentures	Rs 302 Crores (present outstanding)	IVR BB-/Stable outlook (IVR Double B minus/Stable outlook)	Downgraded

Details of Instrument are in Annexure 1

Infomerics Valuation and Rating Pvt. Ltd has downgraded the rating of Radius & Deserve Land Developers Private Ltd. (RDLDP) to IVR BB-/Stable outlook (pronounced IVR double B minus/ Stable outlook) from the IVR BBB-(SO)/Stable outlook (pronounced IVR triple B minus [Structured Obligation]/Stable Outlook). Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The revision in rating factors in significant delays in implementation of the real estate project proposed to be set up at Borivali, Mumbai, and transfer of a large amount of funds mobilised to a group company as Option Deposit for availing option of buying FSI (Free Space Index) in latter's real estate project under implementation at Chembur, Mumbai, the recovery of which is uncertain. The non-receipt of environment clearance and not-infusion of a significant portion of promoters' equity have also constrained the rating. Credit enhancement proposed at the time of initial rating is not expected to provide any additional support for timely servicing of the NCDs. However, the rating continues to derive comfort from the good & fairly accessible location of the project site, promoters' having modest experience in implementing real estate projects in Mumbai and receipt of Letter of Intent from the Slum Rehabilitation authority. Going forward, RDLDP's ability to expedite the project implementation, fund the project appropriately and sale the proposed apartments at the expected price level would be the medium term rating drivers.

List of Key Rating Drivers

- Good & fairly accessible location of the project site.



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- Promoters' having modest experience in implementing real estate projects in Mumbai.
- Receipt of Letter of Intent for the project from the Slum Rehabilitation Authority.
- Significant delays in implementation of the project.
- Transfer of a large amount of funds mobilised to a group company.
- Non-receipt of environment clearance.
- Non-infusion of a significant portion of promoters' equity.

Detailed Description of Key Rating Drivers

Rating Strengths

Good & fairly accessible location of the project site.

The real estate project being set up by RDLDP is at a 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 and rail. Further, the project site is about 8 kms 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 of Mumbai, for setting up a slum rehabilitation & redevelopment project at Borivali, Mumbai. The involvement of Deserve group in the project is for negotiation with the slum dwellers, while the Radius group is involved for construction & sale of residential apartments. 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 specialisation 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.



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Rating Weaknesses

Significant delays in implementation of the project

The construction of the project was supposed to have commenced in July 2016, but the same has not started yet, largely due to non- receipt of environmental clearance. This apart, the NOC from High Rise Committee and the Fire Department has not yet been received. Further, near the project site, there is a transmission tower belonging to Tata Power Company which is yet to be shifted despite Tata Power having agreed “in principle” to shift the same.

Transfer of a large amount of funds to a group company

Out of the funds mobilised largely by way of NCD issue, a substantial portion has been transferred to a group company, Radius & Deserve Builders LLP, being engaged in construction of a real estate project, Central Park, at Chembur, on the eastern suburb of Mumbai. The fund is so transferred by way of an Option Deposit to avail the option of buying FSI (Free Space Index) in the aforesaid project. 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 environment clearance

The company requires to obtain 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. Reportedly, the company is in the process of obtaining the same and is in correspondence with the Ministry.

Non-infusion of a significant portion of promoters’ equity

As per the proposed means of financing for the project, Rs.80 crores shall be promoters’ equity and against which Rs.17.20 crores only has been infused so far, while over 95% of the proposed debt fund has been brought in by way NCDs

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Real Estate Entities

Financial Ratios & Interpretation

Default Recognition & Post-Default Curing Period



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About the company

RDLDP is a special purpose vehicle, being in 50:50 joint venture between Mumbai based Radius group and Deserve group, engaged in implementation of a Slum Rehabilitation & Redevelopment project at Borivali, on the western suburbs of Mumbai. Both the promoter groups have modest presence in real estate space in Mumbai. Mr. Sanjay Chabria, the main promoter of Radius group, has long experience in real estate sector with his prior association with Wadhwa group as a key personnel. Deserve group is one of the leading players in Slum Rehabilitation Agency projects in Mumbai. It has been involved in the development of such projects since 2006.

RDLDP is implementing a slum rehabilitation & redevelopment project at Borivali, Mumbai, at a location of 1.5 kms distance from Western Express Highway and 3 kms. from Borivali railway station. The project involves rehabilitation of slum dwellers and construction of residential buildings in a single phase. The total saleable area of the project is 8.23 lacs sq.ft. The project land was initially acquired by the Deserve group; however, the current ownership of the land lies with RDLDP. While the LoI for the project has been obtained, the environmental clearances and NOC from the High Rise Committee and the Fire Department are yet to be received.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: As per Annexure-2

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 is gradually gaining prominence in domestic rating



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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 Instrument

Name of Instrument	Date of issuance	Coupon Rate/IRR	Maturity Date	Size of issuance (Rs. Crores)	Rating Assigned/Outlook
Non Convertible Debentures	In multiple tranches between September 18, 2015 to February 12, 2016	22% (Effective yield)	September 18, 2018 to February 12, 2019	302.00	IVR BB-/Stable Outlook (Double B minus/Stable Outlook)

Annexure 2: Rating History of the last three years

Name of Instrument	Current Ratings			Rating History		
	Type	Amount Outstanding (Rs. Crores)	Rating	Date & Rating Assigned in 2015-16	Date & Rating Assigned in 2014-15	Date & Rating Assigned in 2013-14
Non Convertible Debentures	Long Term	302.00	IVR BB-/Stable Outlook	IVR BBB-(SO)/Stable Outlook (December 08, 2015)	Nil	Nil