

July 30, 2021

Rajdarbar Realty Creations Private Limited: [ICRA]BB; outlook revised to Stable from Negative; rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Non-Convertible Debentures – NCD	38.00	38.00	[ICRA]BB (Stable); Reaffirmed and outlook revised to Stable from Negative and withdrawn
Total	38.00	38.00	

*Instrument details are provided in Annexure-1

Rationale

The outlook revision favourably notes the complete repayment of outstanding non-convertible debentures (NCD) availed by Rajdarbar Realty Creations Private Limited (RRCPL). The company, as on date, is completely debt free. The rating continues to draw comfort from the extensive experience of the promoters in the real estate industry and its association with the Rajdarbar Group, which has a long and established track record of delivering a number of real estate projects.

Nonetheless, the rating is constrained by RRCPL's modest scale of operations with an operating income (OI) of Rs. 18.11 crore (audited) and Rs. 11.00 crore (provisional) in FY2020 and FY2021, respectively. The rating, further, considers the losses in FY2020, muted provisional profitability in FY2021 and its negative net worth position. ICRA also notes the company's stretched receivables position impacting its liquidity. Further, the measures taken by the Government, to control the Covid-19 pandemic including lockdown restrictions, have impacted its cash flows. Moreover, post easing of restrictions, the social distancing norms and fear of Covid-19 infections resulted in significantly lower accruals. Given this environment, the tenants have sought a waiver, deferment, or discount on the rent payable, which has affected the company's cash flows.

The Stable outlook on the rating reflects ICRA's opinion that RRCPL will continue to benefit from the extensive experience and established track record of its promoter group in the real estate sector and its debt-free status as on date.

ICRA has also withdrawn the rating assigned to the NCD of RRCPL based on the no due certificate received from the debenture trustee of NCD, and in accordance with ICRA's policy on withdrawal and suspension.

Key rating drivers and their description

Credit strengths

RRCPL has become debt-free in FY2022 – The company has repaid the entire outstanding NCDs availed, through Group support. As on date, it is a completely debt-free entity. The management has also confirmed that other Group entities have negligible fund-based limits. The Group entities are availing only non-fund based limits against 100% margin as on date.

Extensive experience of promoter group and demonstrated track record of support – RRCPL's promoters have an experience of over two decades in the real estate industry. The promoters' long presence in the industry has helped the company to establish strong relationships with suppliers and contractors in the market. It is a part of the Rajdarbar Group, which has delivered a number of real estate projects in Agra, Kosi, Vrindavan (Uttar Pradesh), Hisar, Sirsa, Karnal, Gurgaon, Palam Vihar (Haryana), Bangalore (Karnataka) and Jaipur (Rajasthan) through various Group companies. ICRA, further, notes the demonstrated track record of Group support as witnessed from the repayments on NCDs, which were made from the cash flows of the Group's residential/commercial projects.

Credit challenges

Moderate scale of operations – RRCPL's scale of operations remained moderate with an OI of ~Rs. 18.11 crore (audited) and ~Rs. 11.00 crore (provisional) in FY2020 and FY2021, respectively. A modest scale exposes the company to the risk of business downturn and impacts its ability to absorb a temporary disruptions and exigencies.

Muted profitability and negative net worth – The company reported losses in FY2020 and weak operating profitability (provisional) in FY2021 due to significant impact of the Covid-19 pandemic on retail and commercial real estates. The losses in the recent past has led to a negative net worth position.

Stretched receivables position – The company reported high receivables outstanding as on March 31, 2021, with most of the pending receivables remaining due for over six months. The high receivables position is primarily attributable to significant payments dues from some financially stressed customers and delays in payments during the pandemic.

Impact of Covid-19 pandemic – The measures taken by the Government, to control the Covid-19 pandemic including lockdown restrictions, have impacted the company's cash flows. Further, post easing of restrictions, the social distancing norms and fear of Covid-19 infections resulted in significantly lower accruals. Given this environment, the tenants have sought a waiver, deferment, or discount on the rent payable, which has affected its cash flows.

Liquidity position: Stretched

The company's liquidity position is **stretched**. The elongated receivables position, along with moderate scale, minimal cash and cash equivalents of Rs. 0.69 crore (based on management discussion) as on March 31, 2021 have led to a stretched liquidity position in the absence of major undrawn debt facility. The liquidity position has also been impacted by the pandemic-related challenges.

Rating sensitivities

Positive factors – Not applicable as the rating is being withdrawn.

Negative factors – Not applicable as the rating is being withdrawn.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Withdrawal of Credit Ratings
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

RRCPL is a part of the Global Group (a venture of Rajdarbar Group), which is involved in the business of construction and real estate since the last two decades. The Group caters to tier-II and tier-III cities providing townships, commercial spaces, group housing. This apart, the Group is involved in commodity trading and manufacturing of dairy products. RRCPL was established in 2005 and undertakes maintenance of the commercial and residential properties of the Group. As on date, the area under maintenance stands at 20.55 lakh sqft.

Key financial indicators

RRCPL	FY2019	FY2020
	Audited	Audited
Operating Income (Rs. crore)	15.97	18.11
PAT (Rs. crore)	-0.01	-3.57
OPBDIT/OI (%)	-0.92%	-27.40%
PAT/OI (%)	-0.07%	-19.72%
Total Outside Liabilities/Tangible Net Worth (times)	25.73	-101.45
Total Debt/OPBDIT (times)	-319.01	-10.88
Interest Coverage (times)	-0.04	-289.49

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of July 27, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					July 30, 2021			
1	Non-Convertible Debentures - NCD	Long-term	38.00	-	[ICRA]BB (Stable); withdrawn	[ICRA]BB (Negative)	-	[ICRA]BB+(SO)(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Non-Convertible Debentures - NCD	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term - Non-Convertible Debentures - NCD	October 2018	13.95%	FY2023*	38.00	[ICRA]BB (Stable); withdrawn

Source: Company

* NCD has been prepaid by the company

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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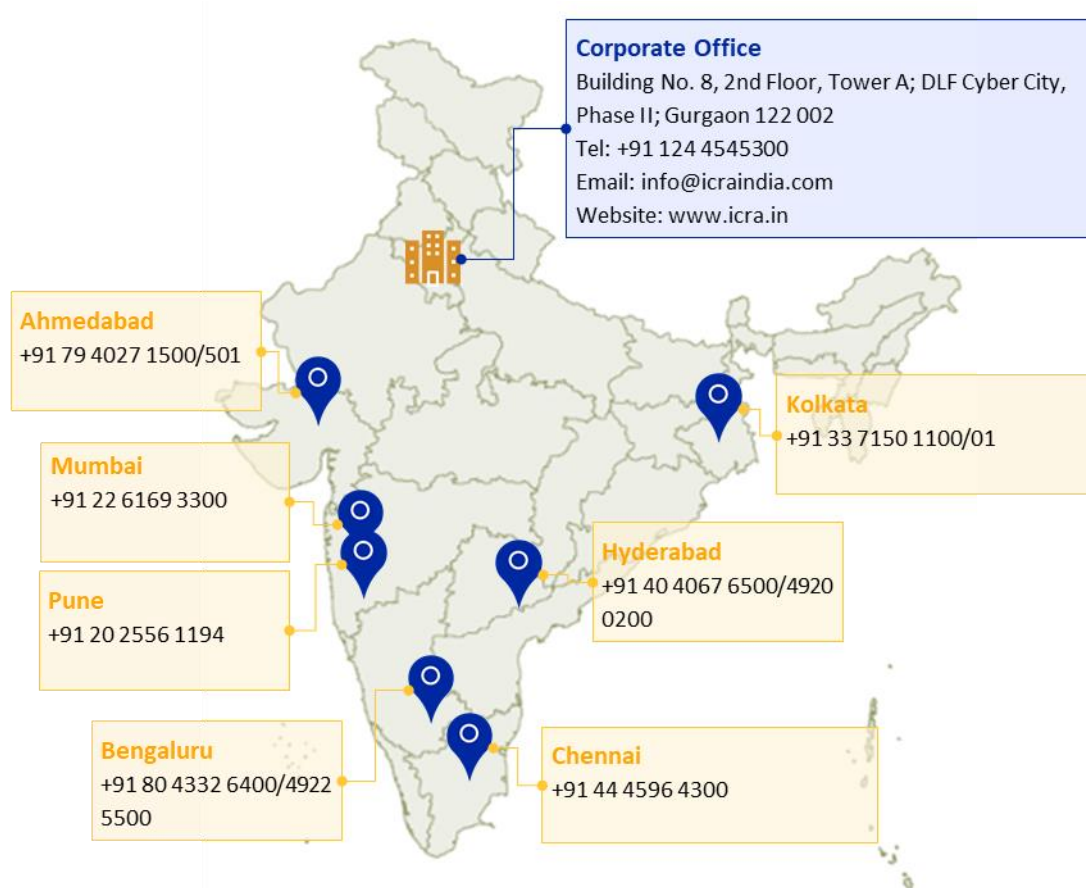


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