

March 31, 2020

Renaissance Holdings & Developers (P) Ltd: [ICRA]BB+ (Stable); reaffirmed

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Rating Action
Long term- Term Loans	34.90	34.90	[ICRA]BB+ (Stable); reaffirmed
Total	34.90	34.90	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation of Renaissance Holdings & Developers (P) Ltd (RHDPL) continues to factor in the extensive experience of the promoters in the real-estate industry with strong project execution capabilities demonstrated through completion of ~6.5 million square feet (msft) of development. The rating takes into account the financial flexibility of the company supported by its diversified, favourably located and low-cost land bank, presence of stable cash flows from its windmill operations and lease income generated from its commercial properties. The rating also takes into account the completion of the construction its ongoing project, Nature Walk, where the company has achieved healthy collection efficiency. Besides, comfort can be taken from the unsold inventory in its share of the premium nature projects, namely Rohan Avriti and Sobha Lifestyle, of which the company is the landowner.

The rating is, however, constrained due to the higher market and execution risks for its ongoing projects, encompassing ~5 lakh sq. ft. The rating also considers high geographical concentration as most of the past and ongoing projects are located in Bangalore and the vulnerability of profitability to volatility in raw material prices and labour costs. ICRA also takes note of the current situation where due to the widespread of coronavirus pandemic, the country is in lockdown from March 25, 2020 to April 15, 2020 and the likely negative impact of that on the company's sales in the next couple of months. Going forward, the ability of the company to improve its sales progress for the project Reserva Micron and achieve healthy bookings and collection efficiency in its ongoing projects will be the key rating sensitivities.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that RHDPL will benefit from the extensive experience of its promoters in the real-estate industry.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoter in the real-estate industry - Established in 1994, RHDPL is involved in real-estate development and has completed 47 residential projects and commercial projects, encompassing 6.5 million sq. ft. in Bengaluru. The promoter of the company, Mr. N.S. Ramanj, has over two decades of experience in the real-estate industry.

Stable cash flows in the form of lease rentals from commercial properties and windmill operations – The company has five leased properties with a total leasable area of 98,420 sq. ft. and generated rental income of around Rs. 4.48 crore in

FY2019. Moreover, RHDPL operates wind mills with 6 MW of wind power capacity near Hassan. The revenue generated from wind power stood at around Rs. 4.34 crore in FY2019. The steady cash flows enhance the financial flexibility and liquidity position of the company.

Financial flexibility due to significant land banks - The company has a well-diversified land bank to support growth in the medium to long term. The company has around 80.11 lakh sq. ft. of freehold land in its possession across Bangalore and Mysore.

Credit challenges

High market risk for its upcoming projects – The market and execution risks are high for its upcoming projects, Reserva Micron and Renaissance Shanks. However, the company has been able to complete the projects Woods and Nature Walk as on March 2020, the sales of which would aid in the improvement of the cashflows of the company.

Concentration risks arising from presence only in Bengaluru – RHDPL’s current market activities are concentrated in the Bengaluru real estate market, which exposes it to geographical concentration risks. Any adverse development in the region can impact the execution and sales level of its projects.

Exposure to inherent cyclical in the real-estate industry coupled with prevailing weak macro-economic scenario - Being a cyclical industry, real estate is highly dependent on macro-economic factors, which make the company’s sales vulnerable to any downturn in the real-estate demand and the competition within the region from various established developers.

Significant investments in subsidiaries and advances given to Group companies – The company has ~Rs. 52.5 crore investments in subsidiaries. Besides, it has given Rs. 35.0 crore as advances to group companies, which are primarily land-owning companies and are generating low returns, thereby adversely impacting RHDPL’s return on capital employed (ROCE).

Liquidity position: Adequate

As on March 31, 2020, RHDPL has cash balance and liquid investments of Rs 4 crore. The company has stable cash flows of Rs. 8.82 crore from its Windmill and its commercial properties which is sufficient to repay the loans of Rs. ~6.5 crore in FY2021. The company also has to repay Rs ~32 crore in relation to the ongoing projects in FY 2021. The company has pending receivables from its completed projects of Rs.12 crore as of March 2020 which covers 9% of the pending construction of its ongoing projects. Nevertheless, with a cash balance of Rs 4.0 crore as on March 2020 and the cashflows from the expected sales of its completed projects, the company’s liquidity is adequate.

Rating sensitivities

Positive Triggers - ICRA could upgrade RHDPL’s rating if the ongoing projects are completed within the stipulated time period. ICRA could upgrade RHDPL’s rating if the sales and collections from the project Renaissance Reserva Micron are healthy on a sustained basis resulting in healthy receipt of customer advances.

Negative Triggers- ICRA could downgrade RHDPL’s rating if cash flow from operations is lower than expected because of subdued booking levels in the its ongoing and new projects or if any delay in completion of the projects which would result in low customer advances thereby weakening the liquidity position of the firm. Moreover, any increase in

advances to Group companies deteriorating the company's liquidity position can result in downward pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology-Real estate entities
Parent/Group Support	NA
Consolidation/Standalone	The rating is based on standalone financial statements of the issuer.

About the company

Renaissance Holdings & Developers Private Ltd (RHDPL) was incorporated in 1994 and is primarily involved in real-estate development in Bangalore. Promoted by Mr. N.S. Ramanj, the company has developed more than 40 residential and five commercial projects with a total built-up area of ~6.5 million square feet in prominent areas of Bangalore, mainly in Malleshwaram. The company is developing one residential row house project namely, Nature Walk, in KR Puram, Bangalore. RHDPL has also invested in windmills, having a cumulative power generation capacity of 6 MW.

In FY2018 (based on provisional figures), the company reported a net profit of Rs. 2.4 crore on an operating income of Rs. 48.4 crore compared to a net profit of Rs. 5.6 crore on an operating income of Rs. 47.4 crore in the previous year.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	48.7	56.3
PAT (Rs. crore)	2.4	3.5
OPBDIT/OI (%)	25.3%	23.0%
RoCE (%)	4.5%	5.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.0	1.0
Total Debt/OPBDIT (times)	7.2	6.9
Interest Coverage (times)	2.4	2.0
DSCR	0.8	1.0

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding as on Feb 2020	Rating	FY2019	FY2018	FY2017
					31-Mar-2020	27-Sep-2018	07-Sep-2017	05-July-2016
1	Term Loan	Long Term	34.90	26.63	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	April-2011	12.50%	Mar-2021	34.90	[ICRA]BB+(Stable)

Source: RHDPL

Analyst Contacts

K Ravichandran

+91 44 45964301

ravichandran@icraindia.com

R Srinivasan

+91 44 45964315

r.srinivasan@icraindia.com

Aishwaryaa A

+91 80 49225568

aishwaryaa.a@icraindia.com

Viren B Chhabria

+91 80 49225504

viren.chhabria@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents