

November 29, 2023

## Casagrand Builder Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	0.00	1085.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Cash credit	0.00	25.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Proposed term loan	10.00	--	--
Long-term – Unallocated	1100.00	--	--
<b>Total</b>	<b>1110.00</b>	<b>1110.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for Casagrand Builder Private Limited (CBPL) factors in the healthy sales momentum for its new launches as well as ongoing residential projects, supported by healthy end-user demand and affordability. The Group has completed around 21 million square feet (msf) of residential real estate projects in the past. It has current ongoing projects with a saleable area of around 18.3 msf as on September 30, 2023, primarily in Chennai, Bengaluru and Hyderabad. As a result, the company's scale of operations is expected to witness healthy growth in the near to medium term.

The Group sold 6.8 msf and 3.6 msf of developed area in FY2023 and H1 FY2024, recording year-on-year (YoY) growth of 77% and 25%, respectively. The rating considers the healthy sales velocity in the ongoing projects, wherein CBPL has sold around 59% of the total area as on September 30, 2023. ICRA expects the collections to remain healthy at around Rs. 3,500-3,600 crore in FY2024, supported by healthy committed sales for the ongoing projects and a strong pipeline of upcoming projects. The rating draws comfort from CBPL's established track record in the residential real estate sector and strong market position in Chennai. The company has receivables of Rs. 2,946 crore from the sold area as on September 30, 2023, which covers 53% of the pending cost and debt outstanding, reflecting adequate cash flow visibility from the pre-sales.

The rating is, however, constrained by the significant rise in debt levels to fund the land acquisitions. Despite healthy collections and cash flow from operations (CFO) for FY2023, the debt/CFO increased to 3.4 times (PY: 1.9 times) as on March 31, 2023. ICRA expects the debt/CFO to remain below 3.0 times in FY2024, supported by healthy CFO and scheduled amortisation of debt. CBPL's debt/net operating working capital ratio remained high as on March 31, 2023, due to substantial debt availed to fund land acquisitions constraining its financial flexibility in case of any decline in sales and collections. The average time taken to launch a project post land acquisition stood at 12 months for the last 10 project launches. ICRA notes that the debt availed for land purchases typically has a door-to-door tenor of three years with a bullet repayment at the end of tenure of loan thereby providing cushion. However, any considerable delay in project launches against the existing and planned land bank, or reduction in sales velocity in such launches could exert pressure on its debt protection metrics. The company's average borrowing cost remain high, given the sizeable share of high-cost structured debt availed for land and general corporate debt in the overall consolidated debt.

CBPL remains exposed to execution and market risks for the recently launched large-sized residential projects, proposed launches over the next two years and the recent entry into commercial office segment. ICRA notes that the Group has significant land acquisition plans in the near to medium term, which will be partially funded by debt, thereby keeping the leverage at moderate levels. However, the management intends to review their land acquisition plans in line with the market conditions.

The Stable outlook reflects ICRA's opinion that the Group will continue to maintain healthy sales velocity as well as collections in its ongoing and planned projects, backed by its established position in the Chennai real estate market.

## Key rating drivers and their description

### Credit strengths

**Healthy sales bookings in the ongoing projects** – The Group sold 6.8 msf and 3.6 msf of developed area in FY2023 and H1 FY2024, marking a YoY growth of 77% and 25%, respectively. The rating considers the healthy sales velocity in the ongoing projects, wherein CBPL sold around 59% of the total area as on September 30, 2023. ICRA expects collections to remain healthy at around Rs. 3,500-3,600 crore in FY2024, supported by healthy committed sales for the ongoing projects and a strong pipeline of upcoming projects.

**Established track record of the Group in Chennai real estate market** – The Casagrand Group has an established track record of over two decades and a strong brand name in the Chennai region with some presence in Bangalore and Hyderabad. It has a strong in-house project execution capability, as demonstrated through completion of 21 msf of residential real estate projects in the past and has current ongoing projects with a saleable area of around 18.3 msf as on September 30, 2023. As a result, the company's scale of operations is expected to witness healthy growth in the near to medium term. The Group recently forayed into commercial office development by acquiring one operational project. It has four small-size under-construction projects.

**Adequate cash flow visibility from pre-sales** – The company has receivables of Rs. 2,946 crore from the sold area as on September 30, 2023, which covers 53% of the pending cost and debt outstanding, reflecting adequate cash flow visibility from the pre-sales. ICRA expects the healthy sales momentum to continue in the near to medium term, driven by the favourable demand scenario for residential real estate.

### Credit challenges

**Increase in leverage levels; debt-funded land investments expected to remain high in near term** – The company's debt levels increased significantly to Rs. 2,810 crore as of September 2023 from Rs. 1,226 crore as of March 2022 primarily to fund the land acquisitions. Despite healthy collections and CFO for FY2023, the debt/CFO has increased to 3.4 times (PY: 1.9 times) as on March 31, 2023. ICRA expects the debt/CFO to remain below 3.0 times in FY2024, supported by healthy CFO and scheduled amortisation of debt. CBPL's debt/net operating working capital ratio remained high as on March 31, 2023, due to substantial debt availed to fund land acquisitions, thus constraining its financial flexibility in case of any decline in sales and collections. The average time taken to launch a project post land acquisition stood at 12 months for the last 10 project launches. ICRA notes that the debt availed for land purchases typically has a door-to-door tenor of three years with a bullet repayment at the end of tenure of loan thereby providing cushion. However, any considerable delay in project launches against the existing and planned land bank, or reduction in sales velocity in such launches could exert pressure on its debt protection metrics.

**Project execution and market risk in the recently launched projects** – Few large-sized projects such as Flagship, Primerose, Athens and Majestica were launched recently and are in the nascent to moderate stage of execution, exposing it to moderate project execution risk. However, the company's track record of executing projects without any major overruns acts as a mitigant to an extent. Further, the Group is exposed to moderate market risk in these large projects, given the inventory that will be released. While the sales response in the projects has been encouraging, any decline in demand may adversely impact its cash flow position, considering the pending cost to be incurred on such projects.

**Vulnerable to cyclical in real estate sector** – The real estate sector is marked by volatile prices and a highly fragmented market structure because of many regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors that render the company's sales vulnerable to any downturn in demand.

## Liquidity position: Adequate

The company's liquidity remains adequate, supported by healthy sales and collections in the ongoing and the newly launched projects. The land acquisition is expected to be partly funded by debt. Further, the Group has unencumbered cash and bank balance of Rs. 354 crore as on March 31, 2023. The debt outstanding as on September 30, 2023, stood at Rs. 2,810 crore. It has scheduled debt repayment obligation of Rs. 16.7 crore in H2 FY2024 and Rs. 670.6 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the company's rating in case of improved diversification in its business profile, healthy sales and collections in the ongoing and upcoming residential projects resulting in healthy net operating cash flows. Additionally, improvement in debt profile through reduction of high-cost debt will be a positive factor.

**Negative factors** – Downward pressure on the rating could emerge in case of subdued sales or collections, or if any significant delay in completion in the ongoing residential projects weakens the debt protection metrics and liquidity position. Specific credit metrics that could lead to a rating downgrade include debt/CFO remaining above 3.0 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Real Estate Entities</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of the company. List of entities forming part of CBPL's consolidated financials are enlisted in Annexure – II.

## About the company

The Casagrand Group was established in 2003 by Mr. Arun Mn, for developing apartments and villas in Chennai. M/s. Casagrand Builder Private Limited is the Group's flagship company. Over the last 20 years, the Group has developed over 21 msf of prime residential real estate across Chennai, Bengaluru and Coimbatore. At present, it is developing over 18.3 msf of projects across Chennai, Bangalore, Hyderabad and Coimbatore. All the Group companies and joint ventures/subsidiaries of CGPL are involved in the real estate business and develop residential properties under the brand name of Casagrand. Further, the company has ventured recently into commercial real estate business with one operational asset and four under-construction assets.

## Key financial indicators (audited)

CBPL Consolidated	FY2022	FY2023
Operating income	1878.1	2494.5
PAT	146.1	226.1
OPBDIT/OI	11.7%	13.3%
PAT/OI	7.8%	9.1%
Total outside liabilities/Tangible net worth (times)	21.3	15.4
Total debt/OPBDIT (times)	5.6	7.5
Interest coverage (times)	8.2	15.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Sept 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				November 29, 2023	Aug 03, 2022	-	-
1 Long-term – Fund-based – Term loan	Long-term	1085.0	910.8	[ICRA]BBB+ (Stable)	-	-	-
2 Long-term – Fund-based – Cash credit	Long-term	25.0	-	[ICRA]BBB+ (Stable)	-	-	-
3 Proposed term loan	Long term	-	-	-	[ICRA]BBB+ (Stable)	-	-
4 Unallocated limits	Long term	-	-	-	[ICRA]BBB+ (Stable)	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Cash credit	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 are available on ICRA's website: [Click Here](#).

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loans	FY2022-H1FY2024	NA	FY2024-FY2034	1085.00	[ICRA]BBB+ (Stable)
-	Cash credit	NA	NA	FY2024	25.00	[ICRA]BBB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	CBPL Ownership	Consolidation Approach
Casa Grande Civil Engineering Pvt Ltd	100%	Full Consolidation
Casa Grande Grace Private Limited	100%	
Casagrand Staylogy Private Limited	100%	
Casa Grande Homes Pvt Ltd	100%	
Casagrand Horizons Private Limited	100%	
Gazy Mag Private Limited	100%	
Casagrand Magick Ruffy Private Limited	100%	
Casa Grande Smart Value Homes Private Limited	100%	
Casa Grande Milestone Private Limited	100%	
Casa Grande Zest Private Limited	100%	
Casa Grande Axiom Private Limited	100%	
Casa Grande Garden City Builders Private Limited	100%	
Casagrand Vistaaz Private Limited	100%	
Casa Grande Coimbatore LLP	90%	
Casa Grande Enterprises LLP	99%	
Casa Grande Shelter LLP	99%	
Casa Grande Vallam LLP	99%	
Grace Gated Community LLP	99%	
Casagrand Bizpark Private Limited (wef 10.01.2022)/Casagrand Dream Home Private Limited	100%	
Danub Homes Private Limited	100%	
Dawning Developers LLP	99%	
Casa Grande Realtors LLP	99%	
Casagrand Aesthetic Private Limited	100%	
Casagrand Regale Private Limited	100%	
Casagrand Spaceintell Private Limited	71.65%	
Upstay Builder Private Limited	66%	
Casagrand Zingo Private Limited	100%	
Casagrand Exotia Private Limited	100%	

<b>Company Name</b>	<b>CBPL Ownership</b>	<b>Consolidation Approach</b>
Casagrand Hyderwise Private Limited	100%	
Casagrand Everta Private Limited	100%	
Casagrand Vivacity Private Limited	100%	
Casagrand Vivaace Private Limited	100%	
Casagrand Fresh Private Limited	100%	
Casagrand Magnum Private Limited	100%	
Casagrand Anchor Private Limited	100%	
Casagrand Stage 7 Private Limited	100%	
Casagrand Perch Builder Private Limited	100%	
Casagrand Beacon Private Limited	100%	
Casagrand Lotus Private Limited	100%	
Casagrand Blue Horizon Private Limited	100%	
Exotia Builder Private Limited	100%	
Flock Builder Private Limited	100%	
Casagrand Fittedhomes Private Limited	100%	
Casagrand Alpine Private Limited	100%	
Casagrand Millenia Private Limited	100%	
Casagrand Astute Private Limited	100%	

Source: Company

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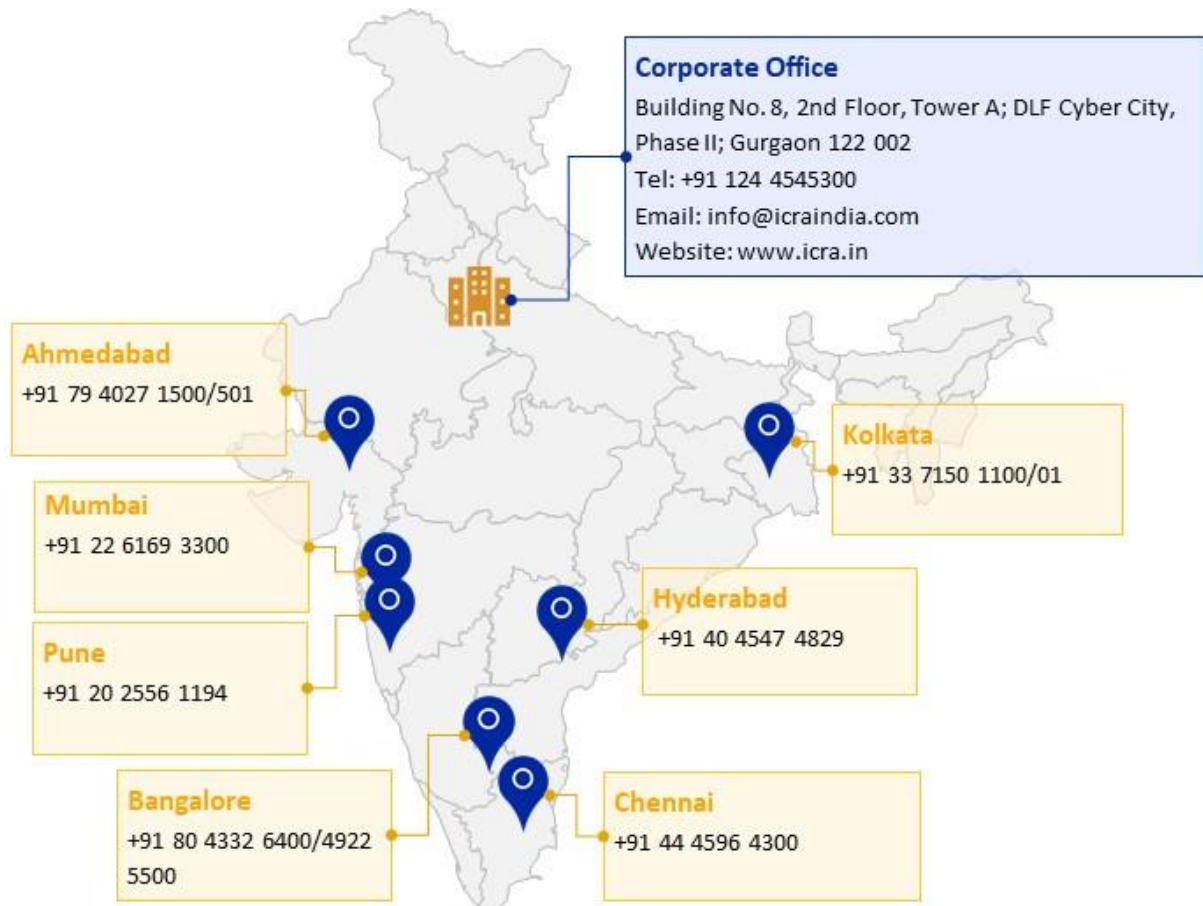
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