

May 06, 2024

JR Housing Developers Private Limited: [ICRA]BB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	100.00	[ICRA]BB- (Stable); assigned
Total	100.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating for JR Housing Developers Private Limited (JRHD) factors in the long track record of the promoter with around three decades of experience in the residential real estate sector in Bengaluru. The company is primarily into plotted/layout development in the suburb regions of Bengaluru. The rating notes the moderate leverage levels as reflected by Total Debt¹/CFO, which is likely to be around 3.5-4.5 times in FY2024 and FY2025. Consequently, the debt coverage metrics are expected to remain moderate.

The rating, however, is constrained by JRHD's modest scale of operations with estimated revenues of ~Rs. 50-55 crore in FY2024 and Rs. 65-70 crore in FY2025 (revenues of Rs. 30-60 crore during FY2018-FY2023), along with large unsold inventory in some of the completed projects due to low demand and suburb location of the projects. The company has unsold inventory of around Rs. 350-400 crore from eleven projects completed during 2012-2022 with external debt outstanding of Rs. 46 crore as of January 2024 against the completed projects. Further, it is exposed to high market risk for the upcoming four projects having a saleable area of 6.12 lakh sft, which are expected to be launched for sales in H1 FY2025. JRHD's ability to improve the sales velocity and collections in the completed and upcoming projects remains important to fund the upcoming projects and for meeting its debt servicing obligations. The rating factors in the vulnerability of its sales to any downturn in the real estate demand within the region and to any changes in interest rates.

The Stable outlook on JRHD's rating reflects ICRA's opinion that the company will benefit from the expected improvement in the sales velocity and collections, along with moderate debt protection metrics.

Key rating drivers and their description

Credit strengths

Experienced promoter – The company is a family-owned business, promoted by Sri. S. Jagadishwara Reddy. Mr. Reddy, its Managing Director, has three decades of experience in the residential real estate sector in Bengaluru. He is also the Vice President of Karnataka Land Developer's Association.

Moderate debt protection metrics – The moderate leverage levels as reflected by Total Debt¹/CFO is likely to be around 3.5-4.5 times in FY2024 and FY2025. Consequently, the debt coverage metrics is expected to remain moderate.

Credit challenges

Modest scale of operations – The company's scale of operations remained modest over the past years, with estimated revenues of ~Rs. 50-55 crore in FY2024 and Rs. 65-70 crore in FY2025 (revenues remained in the range of Rs. 30-60 crore during FY2018-FY2023) and large unsold inventory in some of the completed projects due to low demand and suburb location of the

¹ The total debt outstanding includes external debt of Rs. 46 crore and loans from promoters of Rs. 57 crore as of January 2024. Though there is no defined schedule for principal repayment of promoter loans, interest on promoter loans is being serviced regularly.

projects. It has unsold inventory of around Rs. 350-400 crore from eleven projects completed during 2012-2022 with external debt outstanding of Rs. 46 crore as of January 2024 against the completed projects.

Demand and market risks – JRHD is exposed to high market risk for the upcoming four projects having a saleable area of 6.12 lakh sft, which are expected to be launched for sales in H1 FY2025. The company’s ability to improve the sales velocity and collections in completed and upcoming projects remains important to fund the upcoming projects and to meet debt servicing obligations. The rating factors in the vulnerability of its sales to any downturn in the real estate demand within the region and to any changes in interest rates.

Liquidity position: Stretched

JRHD’s liquidity position is stretched. It has pending cost of Rs. 47.0 crore for four upcoming projects, which is expected to be funded through proposed debt of Rs. 25 crore and the balance through sale proceeds from completed and future launches. Further, the company has debt repayment obligations of Rs. 29.0 crore in FY2025. Hence, it will be highly dependent on the incremental sales to fund the construction cost and debt repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade JRHD’s rating if there is a significant increase in sales velocity and collections, along with improvement in the debt protection metrics and liquidity position on a sustained basis.

Negative factors – Negative pressure on JRHD’s rating could emerge in case of its inability to improve sales velocity and subdued collections leading to deterioration in debt protection metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

JR Housing Developers Private Limited (JRHD) is a family-owned business, promoted by Sri. S. Jagadishwara Reddy. It undertakes plotted/layout development in the outskirts of Bangalore. Mr. Reddy is the Managing Director of the company, having over 29 years of experience in real estate. He is also the Vice President of Karnataka Land Developer's Association. At present, there are four ongoing projects under JRHD, which are expected to be completed in FY2025.

Key financial indicators

Standalone	FY2022	FY2023
	Audited	Audited
Operating income	38.8	62.8
PAT	3.7	3.5
OPBDIT/OI	39.4%	33.2%
PAT/OI	9.6%	5.6%
Total outside liabilities/Tangible net worth (times)	2.9	2.6
Total debt/OPBDIT (times)	8.5	5.4
Interest coverage (times)	1.5	1.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
Brickwork	BWR B-/Stable/BWR A4; ISSUER NOT COOPERATING	September 14,2023

Any other information: None

Rating history for past three years

Sl. No.	Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
			Amount rated (Rs. crore)	Amount outstanding as on Nov 30,2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
1	Term loan	Long term	100.00	57.96	May 06, 2024 [ICRA]BB- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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
NA	Long-term fund-based – Term loan	FY2017 - FY2023@	-	FY2030	100.00	[ICRA]BB- (Stable)

@represents loans sanctioned between FY2017 and FY2023

Source: Company

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

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

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Abhishek Lahoti
+91 40 6939 6433
abhishek.lahoti@icraindia.com

Riddham Agarwal
+91 80 4332 6405
riddham.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@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

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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