December 31, 2024

Rajapushpa Properties Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Term loan	1,000.00	1,400.00	[ICRA]A-(Stable); reaffirmed and assigned for enhanced amount
Total	**1,000.00**	**1,400.00**	

Instrument details are provided in Annexure-I

Rationale

To arrive at the rating of Rajapushpa Properties Private Limited (RPPL), ICRA has considered consolidated financials RPPL, Watermarke Estates Private Limited (WEPL), Rajapushpa Infra Private Limited (RIPL) and Rajapushpa Asset management LLP (RAMLLP) and Rajapushpa Realty LLP (RRLLP) (together referred as Rajapushpa Group), given the common management, engaged in the same businesses, have strong financial linkages and common treasury team.

The rating reaffirmation factors in the significant improvement in Rajapushpa Group's scale of operations of residential real estate projects in terms of collections and cash flow from operations (CFO) in FY2024 which is expected to further improve in FY2025-FY2026 driven by expected healthy sales velocity of ongoing projects – Provincia, Imperia and Pristinia and newly launched projects – Casa Luxura and Aurellia and a strong launch pipeline. The collections from residential projects improved significantly by ~105% year on year (YoY) in FY2024 to Rs. 2,334 crore in FY2024 and are further expected to improve by 8-11% YoY in FY2025 and 20-21% YoY in FY2026. In addition, the commercial projects, Paradigm and Summit have 100% committed occupancy (leased area of 0.93 million square feet (msf)) as on November 30, 2024, which is expected to generate annualised rentals of ~Rs. 55-60 crore. With improved collections and steady pace of construction, CFO is expected to remain healthy leading to comfortable debt coverage metrics and total external debt/CFO. The total external debt/CFO stood at 2.37 times as of March 2024 and is expected to remain less than 3 times in the medium term. The rating draws comfort from Group's established track record and demonstrated execution capabilities. The Group has delivered more than ~14 million square feet (msf) of area in last 15 years. Currently, the group is developing 25.0 msf (developer share – 19.6 msf) of residential and 3.6 msf (developer share – 3.14 msf) of commercial spaces in Hyderabad.

The rating, however, is constrained by Rajapushpa group's exposure to execution and market risk for the recently launched residential projects (Casa Luxura and Aurelia) and proposed launches over next two years of 11-13 msf (Developer share: 9-10 msf), ongoing commercial project (West Avenue) and plotting project in Rudraram. Further, given that the four out of six ongoing residential projects are at an early stage of execution, there is high dependence on future sales to meet the pending project cost as reflected by cash flow adequacy ratio (receivables/ (pending construction cost + debt outstanding)) of 33% as of May 2024. Any slowdown in the sales velocity may adversely impact the cash flow position considering the large pending costs to be incurred on such projects. The company also faces market risk for the proposed plotted development project in Rudraram which is expected to be launched in H1 FY2026 (which has witnessed delay in launch due to slow progress in land acquisition). The group availed debt for projects with existing surplus cashflows proceeds used to fund land investments. Consequently, the company's debt/net working capital[1] remains very high and significant improvement in the same would be a key monitorable. The Group is also exposed to the inherent cyclicality in the residential real estate industry along with geographical concentration risk as it is mainly concentrated in Hyderabad real estate market.

[1] *Debt to Net Working Capital (excluding land assets) indicates the cost incurred on the projects to the extent not financed by customer advances.*

The Stable outlook on the rating reflects that the Group will continue to maintain healthy sales velocity in its ongoing and upcoming projects, leading to improvement in leverage while maintaining comfortable coverage metrics.

Key rating drivers and their description

Credit strengths

Significant improvement in collections and CFO in FY2024 which is expected to further improve in FY2025 and FY2026; comfortable debt coverage metrics – Rajapushpa Group witnessed significant improvement in scale of operations of residential real estate projects in terms of collections and CFO in FY2024 which is expected to further improve in FY2025-FY2026 driven by expected healthy sales velocity of ongoing projects – Provincia, Imperia and Pristinia and newly launched projects – Casa Luxura and Aurellia. The collections from residential projects improved significantly by 105% year on year (YoY) in FY2024 to stand at Rs. 2334 crore in FY2024 and are further expected to improve by 8-11% YoY in FY2025 and 20-21% YoY in FY2026. In addition, the commercial projects, Paradigm and Summit have 100% committed occupancy (leased area of 0.93 million square feet (msf)) as on August 31, 2024, which is expected to generate annualised rentals of ~Rs. 58 crore. With improved collections and steady pace of construction, CFO is expected to remain healthy leading to comfortable debt coverage metrics and total external debt/CFO. The total external debt/CFO stood at 2.37 times as of March 2024 and is expected to remain below 3 times in the medium term.

Established track record of the Rajapushpa group in Hyderabad real estate market – Rajapushpa group has established track record and demonstrated execution capabilities of developing more than ~14 msf of area in last 15 years in Hyderabad with good reputation for quality and timely completion. Currently it is developing 25.0 msf (developer share – 19.6 msf) of residential and 3.6 msf (developer share – 3.14 msf) of commercial space in Hyderabad.

Credit challenges

Exposure to execution and market risk given the large expansion plans; high debt/NWC – Rajapushpa Group is exposed to execution and market risk for the recently launched residential projects (Casa Luxura and Aurelia) and proposed launches over next two years of 11-13 msf (Developer share: 9-10 msf), ongoing commercial project (West Avenue) and plotting project in Rudraram. Further, given that the four out of six ongoing residential projects are at an early stage of execution, there is high dependence on future sales to meet the pending project cost as reflected by cash flow adequacy ratio (receivables/ (pending construction cost + debt outstanding)) of 33% as of May 2024. Any slowdown in the sales velocity may adversely impact the cash flow position considering the large pending costs to be incurred on such projects. The company also faces market risk for the proposed plotted development project in Rudraram which is expected to be launched in H1 FY2026 (which has witnessed delay in launch due to slow progress in land acquisition). The group availed debt for projects with existing surplus cashflows and used the proceeds to fund land investments. Consequently, the company's debt/net working capital remains very high and significant improvement in the same would be a key monitorable.

Cyclicality inherent in real estate sector and geographical concentration risk – Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which exposes its sales to any downturn in real estate demand. In addition, RPPL is mainly concentrated in the Hyderabad real estate market, which exposes it to geographical concentration risk.

Liquidity position: Adequate

Rajapushpa Group's liquidity profile is adequate, with consolidated unencumbered cash and bank balance of ~Rs. 482 crore as on March 31, 2024. On consolidated basis, it has scheduled external debt repayments of Rs. 68.1 crore in FY2025, which is expected to be comfortably serviced by the estimated cash flow from operations.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a significant increase in sales and collections in ongoing and upcoming projects, resulting in an improvement in cash flow from operations and debt protection metrics on a sustained basis. Specific credit metric that could result in rating upgrade includes total debt/NWC < 1x on a sustained basis.

Negative factors – Downward pressure on the rating could emerge in case of subdued sales and/or collections, or significant delay in completion of the ongoing residential projects or large debt-funded land investments weakens the debt protection metrics and liquidity position and on a sustained basis. Specific triggers that could result in a rating downgrade includes Gross Debt/CFO remaining higher than 3.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Realty – Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has consolidated financials of Rajapushpa Properties Private Limited (RPPL), Rajapushpa Realty LLP (RRLLP), Watermarke Estates Private Limited (WEPL), Rajapushpa Infra Private Limited (RIPL) and Rajapushpa Asset Management LLP (RAM LLP) given the common management, engaged in the same businesses have strong financial linkages and common treasury team. Further, RPPL has provided corporate guarantee to the loans availed by RRLLP, WEPL, RIPL and RAM LLP.

About the company

RPPL was established as a partnership firm in 2006 and then converted into a private limited company in 2009. It is involved in the development of residential and commercial projects in Hyderabad. It is part of Rajapushpa Group which has completed more than 15 projects in and around Hyderabad city, totalling around ~14.8 msf, including residential and commercial segments. The Group holds a land bank of around ~380 acres under various companies with market value of ~Rs. 5,200 crore as on May 31, 2024. The Rajapushpa group under RRPL and its subsidiaries/group companies is currently developing six residential real estate projects, one commercial office project and one plotting project in Hyderabad. Further, the group has two operational commercial office projects with 100% leasing.

Key financial indicators (audited)

RPPL Consolidated	FY2023	FY2024
Operating income	1,136.8	1,488.6
PAT	74.0	74.7
OPBDIT/OI	21.2%	17.7%
PAT/OI	6.5%	5.0%
Total outside liabilities/Tangible net worth (times)	18.4	19.6
Total debt/OPBDIT (times)	4.9	2.5
Interest coverage (times)	2.0	1.9

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: Not Applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long Term	1400.00	Dec 31, 2024	[ICRA]A- (Stable)	30 Aug 2023	[ICRA]BBB+ (Positive)	18 Aug 2022	[ICRA]BBB+ (Stable)	-	-
									-	-
			Sep 20, 2024	[ICRA]A- (Stable)			06 Jun, 2022	[ICRA]BBB+ (Stable)		
Unallocated	Long Term	-	-	-	30 Aug 2023	[ICRA]BBB+ (Positive)	18 Aug 2022	[ICRA]BBB+ (Stable)	-	-
							06 Jun, 2022	[ICRA]BBB+ (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	**Term Loans**	FY2022	NA	FY2030	1,400.00	[ICRA]A-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	Ownership	Consolidation Approach
Watermarke Estates Private Limited (WEPL)	100.00%	Full Consolidation
Rajapushpa Infra Private Limited (RIPL)	51.00%	Full Consolidation
Rajapushpa Realty LLP (RRLLP)	^	Full Consolidation
Rajapushpa Asset Management LLP (RAM LLP)	^	Full Consolidation

Source: Company, ^Promoters of RPPL have 100% shareholding in RRLLP and RAM LLP

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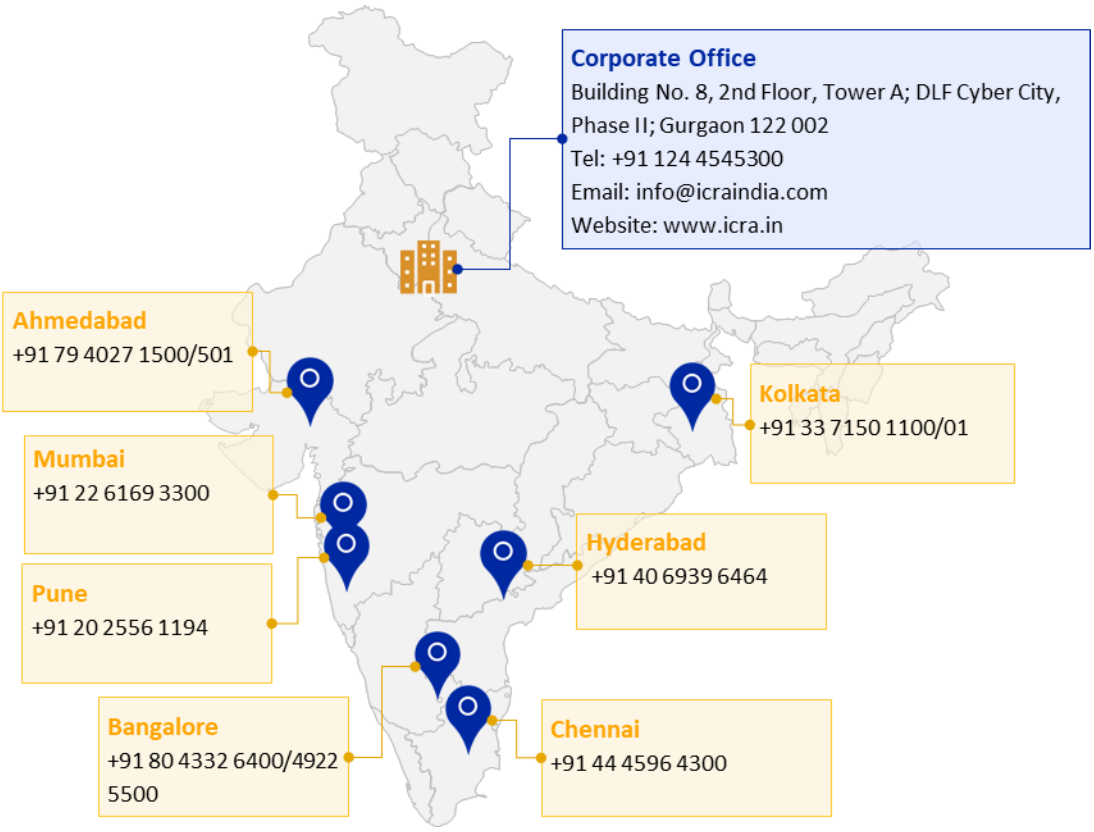

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