January 30, 2021

Janaadhar (India) Private Limited: Rating reaffirmed at [ICRA]BB+; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Non-convertible debenture	25.00	4.50	[ICRA]BB+ reaffirmed; Outlook revised to Positive from Stable
Long-term – Unallocated	30.00	30.00	[ICRA]BB+ reaffirmed; Outlook revised to Positive from Stable
Total	**55.00**	**34.50**	

**Instrument details are provided in Annexure-1*

Rationale

The revision in the rating outlook takes into consideration the increased visibility of new project launches and their adequate funding tie-up. The company is in advanced stages of launching a residential project in Sanand, Gujarat, and a student housing project in Bangalore, Karnataka. The company has raised an additional Rs 27.5 crore equity from existing investors in FY2021, which will be used towards these projects. In addition, the company has tied up external commercial borrowings worth Rs 49.5 crore with the UK-based Reall Ltd., which will be used for the Sanand project. The company expects to launch both the projects over the next six months, which would improve the company's scale and profitability.

The rating continues to draw comfort from the company's track record in the affordable housing sector and its conservative financial policy—the company raises adequate equity for each project, thereby ensuring moderate leverage.

The rating is, however, constrained by the execution risks associated with projects under development; the regulatory approvals for these projects are awaited. Though the company is exposed to market risk in the Sanand project, it has entered into an agreement to lease for the student housing project in Bangalore. The rating is also constrained by the low scale of ongoing projects of JIPL with Shubha (located at Bangalore) and Mangala (located at GIFT City, Gujarat) projects completed and having minimal balance stock and receivables. Nonetheless, ICRA notes that the balance receivables from the projects adequately cover the outstanding rated non-convertible debentures (NCDs). ICRA also notes that the company plans to launch two new projects shortly, which will improve the scale of business. The rating continues to factor in the low profit margin inherent in projects targeted at the lower income segment.

The positive outlook reflects ICRA's expectation that the credit profile of JIPL is expected to improve with the planned launch of new projects, which would improve the scale and profitability.

Key rating drivers and their description

Credit strengths

Upcoming launch of new projects through equity infusion from existing investors – JIPL received equity infusion of Rs 27.5 crore in FY2021 from its existing investors. The equity infusion along with the external commercial borrowing of Rs 49.5 crore from Reall Ltd. will be used for developing a residential project at Sanand in Gujarat and a student housing project at Kanakpura Road in Bangalore. The ECB from Reall carries favourable terms, including favourable interest rate and moratorium on interest and principal until January 2024. Both the projects are expected to be launched over the next six months, which will improve the company's scale and profitability.

Track record of the Group in affordable housing sector – JIPL operates in the affordable real estate segment. The company had earlier launched affordable houses through its Shubha project in Bangalore as well as Mangala project in GIFT City, Gujarat. Both the projects had witnessed healthy sales because of its attractive pricing and low-ticket sizes. The Sanand project is expected to have ticket size in the range of Rs 15-25 lakh. For the student housing project, JIPL has entered into an agreement to lease with Jain University, which mitigates the market risk for the area under development.

Credit challenges

Execution risk associated with upcoming projects – JIPL is exposed to execution risk associated with the Sanand and the student housing project, which are yet to be launched and awaiting regulatory approvals. The company is also exposed to market risks from the Sanand project; and the market response after its launch will be a key monitorable. The risks are partly mitigated by the structured payment schedule for land consideration, which is linked to the receipt of approvals from the project as well as the collections from customers. In the student housing project, financial closure in the form of debt tie-up is awaited.

Low scale of operations – The scale of business has reduced with the completion of Shubha and Mangala projects, which have minimal balance stock and receivables. Nonetheless, the balance project receivables adequately cover the outstanding rated NCDs. ICRA also notes that the company plans to launch new projects which will increase the scale of business. Timely launch of these projects will be a key rating monitorable.

Low profitability inherent in projects targeted at lower income segment - The company operates in the affordable housing industry segment. Most of the customers of JIPL belong to the economically-weaker segment, lower income group and lower middle class. The projects aimed at these target groups inherently have lower margins. Moreover, the decline in the scale of operations and the moderately high level of overheads have impacted the profitability.

Liquidity position: Adequate

JIPL's liquidity profile is adequate. The company had free cash balances of Rs 41 crore as on December 2020, aided by the equity raised in FY2021, which will be utilised towards the company's upcoming projects. The debt profile of JIPL consists of NCD programme, with an outstanding amount of Rs 4.5 crore, external commercial borrowing with outstanding amount of Rs 10 crore from Reall Ltd. and unsecured loans from promoters of Rs 5.5 crore as on date. The company has also maintained deposits of Rs 3.7 crore, which are under lien to the NCD investor. The balance outstanding amount of the NCD is adequately covered by the receivables and the unsold stock of the Janaadhar Shubha-II project.

Rating sensitivities

Positive factors – The rating of JIPL might be upgraded on timely launch of new projects, with adequate sales tie-up and construction progress.

Negative factors – The rating might be downgraded and/or the outlook might be revised to stable if there is a delay of more than 6 months in the launch of new projects, resulting in continued weakness in operational cash flows.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of JIPL

About the company

JIPL, incorporated in 2007, is promoted by Jana Urban Foundation (JUF). The company was formed to implement affordable house projects to address the home-ownership aspirations of the lower income urban population by providing a complete housing solution that is affordable and of high quality and has accessible housing finance. JUF holds 53% stake in JIPL as on date, with other major shareholders being Tree Line Asia Master Fund (Singapore) Private Limited with 13% share and Sterling Developers with 12% share. The remaining shares are held by individuals – Mr. Narayan Ramachandran, Mr. Vikram Gandhi, Mr. Vallabh Bhansali, Mr. Badri Narayan Pilinja, and Sri Vatsa Krishna.

Till date, JIPL has completed two projects—Shubha project and Mangala project. Shubha project consists of 480 1BHK apartments and 648 2BHK apartments while the Mangala project consists of 330 residential units along with market, clinic and community centre. The company plans to launch new projects at Sanand in Gujarat and at Kanakpura Road in Bangalore.

Key financial indicators

Janaadhar (India) Private Limited	Audited	Audited	Provisional
	FY2019	FY2020	H1 FY2021
Operating Income (Rs. crore)	29.0	23.4	1.1
PAT (Rs. crore)	-5.7	-10.2	-4.0
OPBDIT/OI (%)	-13.2%	-35.3%	-288.0%
RoCE (%)	-6.7%	-24.4%	-29.9%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.9	3.0
Total Debt/OPBDIT (times)	-5.4	-1.8	-1.8
Interest Coverage (times)	-1.5	-3.6	-3.6
DSCR (times)	-1.1	-0.9	-0.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2020 (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018	
					Jan 30, 2021	Dec 20, 2019	Nov 26, 2018	Feb 09, 2018	Oct 04, 2017
1	NCDs	Long-term	4.50	4.50	**[ICRA]BB+ (Positive)**	**[ICRA]BB+ (Stable)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Stable)**	-
2	Unallocated	Long-term	30.00	0.00	**[ICRA]BB+ (Positive)**	**[ICRA]BB+ (Stable)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**
3	Term Loan	Long-term	0.00	0.00	-	-	-	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**

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 click here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE882W07014	NCDs	Mar 2018	10.7%	Sep 2021	3.60	[ICRA]BB+ (Positive)
INE882W07022	NCDs	Mar 2018	13.5%	Sep 2021	0.90	[ICRA]BB+ (Positive)
NA	Unallocated	NA	NA	NA	30.00	[ICRA]BB+ (Positive)

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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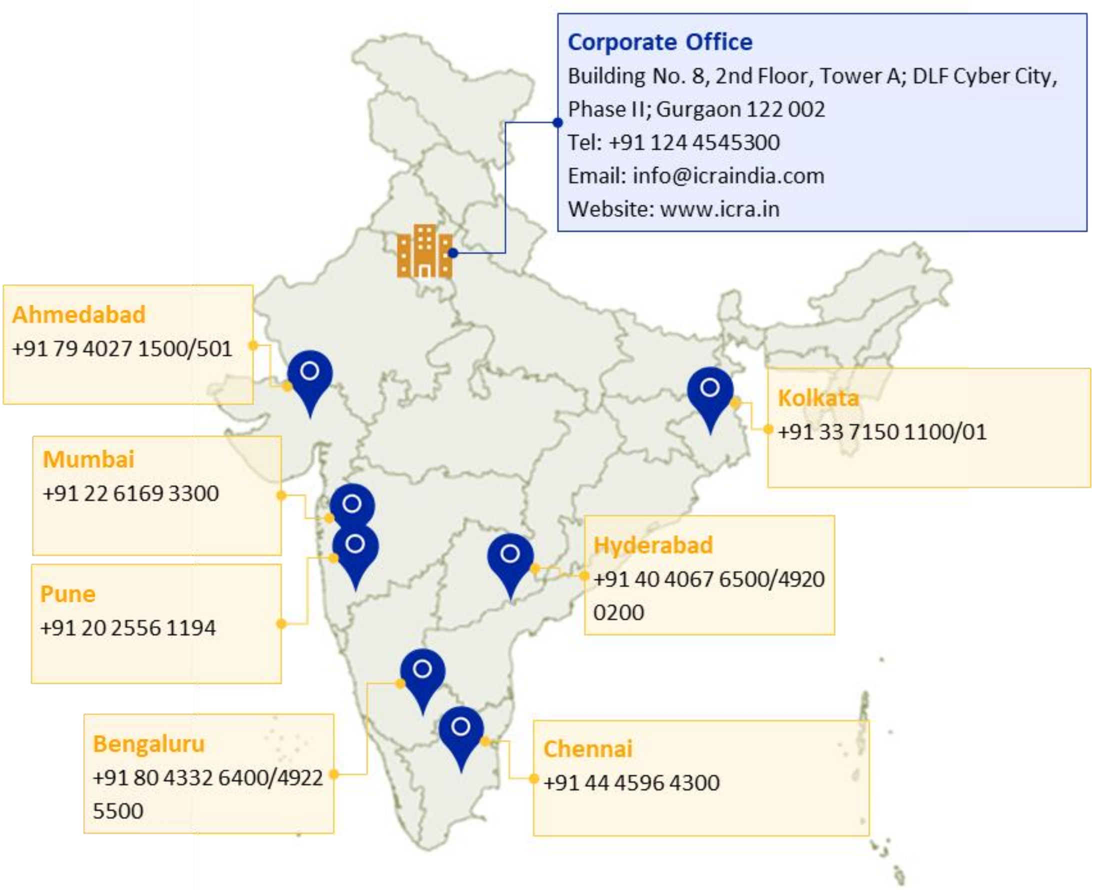

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