

March 27, 2024

Rustomjee Realty 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	135.00	135.00	[ICRA]BBB+ (Stable); reaffirmed
Total	135.00	135.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation considers the healthy sales status and favourable location for the Rustomjee Elements project being developed by Rustomjee Realty Private Limited (RRPL), in Upper Juhu, Mumbai. The project achieved construction completion in June 2021 and received occupancy certificate in September 2021. As of December 2023, only 2 units are pending to be sold for the project (96% sold). The rating draws comfort from the strong parentage of RRPL being a wholly-owned subsidiary of Keystone Realtors Limited (KRL) - the flagship company of the Rustomjee Group. The Rustomjee Group has a long track record of close to three decades and an established position in the residential real estate market in Mumbai Metropolitan Region (MMR), underpinned by 23 million square feet (msf) of deliveries till December 2023. Additionally, it has an under-construction project portfolio comprising a saleable area of around 5.0 msf and forthcoming developments of ~25+ msf over the medium term. ICRA expects the parent, KRL, to provide timely financial support to RRPL, for funding shortfall, if any, given their substantial financial linkages, the company's strategic importance for the parent and KRL's reputation sensitivity to default.

The rating is, however, constrained by the project's exposure to residual market risks, given the high ticket size of pending unsold units. As of December 2023, 96% of the area under Rustomjee Elements has been sold with only two units yet to be sold pertaining to Tower C, which have a combined inventory value of around Rs. 150 crore. As of September 2023, the committed receivables for the project stood at Rs. 7.7 crore against the pending cost of Rs. 51 crore and debt outstanding of Rs. 47 crore, resulting in low cash flow adequacy ratio¹ of 8%, signifying high reliance on incremental sales. A majority of the pending cost pertains to the corpus creation for the tenants from the redeveloped society. Nonetheless, ICRA draws comfort from the presence of healthy free cash and liquid balances of Rs. 112 crore available with the company, which are adequate to cover the existing debt outstanding and meet the pending costs. The rating further remains constrained by the geographical and asset concentration risk as well as susceptibility to cyclicity in the real estate sector.

The Stable outlook on the rating reflects ICRA's opinion that the company will be able to liquidate the pending two units in a timely manner and generate adequate cash flows for meeting the pending cost and outstanding debt. Moreover, the company is expected to benefit from the availability of sizeable liquidity and support from the parent, KRL, if required.

Key rating drivers and their description

Credit strengths

Strong operational track record and brand strength of the parent in real estate sector – The Rustomjee Group has a strong execution track record, which includes development of luxury residential real estate, affordable housing, townships, shopping mall, schools and commercial spaces. Its execution track record is supported by the completed construction of over 23 msf area, under-construction projects comprising a saleable area of ~5 msf and forthcoming developments of 25+ msf in pipeline

¹ Cash flow adequacy ratio = committed receivable/ (pending cost+ debt outstanding)

as on December 31, 2023. The Group follows an asset light model by entering into joint development or re-development agreements to reduce its capital investments in land.

Limited execution risk; healthy project sales status – With timely completion of both the phases of Rustomjee Elements, the company has mitigated execution risk for the project. The OC for the last tower (Tower-C) was received in September 2021, post which RRPL reported healthy sales progress with bookings of 27 out of 29 pending units. The collection/sales for the company were 100% as of September 2023 as the project is completed and has received OC. As of December 2023, only 2 units were pending to be sold for the project.

Favourable location of project – The project Rustomjee Elements is located in the premium neighborhood of upper Juhu, Andheri West, Mumbai. The key location of the project provides easy access to the evolved social infrastructure in western Mumbai. Strategic location, along with established brand presence, has supported adequate realisation and sales velocity of the residential units.

Credit challenges

Market risk for high ticket size mansion – As on December 31, 2023, 96% of the area under Rustomjee Elements has been sold with only two units remaining to be sold pertaining to Tower C. Out of the two unsold units, one unit is a mansion with expected sales value of Rs. 120 crore. Timely liquidation of these units, especially the high ticket size mansion will be a key rating monitorable. Nonetheless, the attractive location of the project and the pipeline of enquiries mitigate the residual market risk to an extent. Moreover, the likelihood of support from the parent, KRL, should a need arise, provides comfort.

Geographical and asset concentration risks – The company has a single project in Mumbai, exposing it to the geographical concentration risk. Moreover, the Group's presence is limited to MMR, which constrains it to the geo-political issues in the region. However, the risk is partly mitigated by the sizeable contribution of MMR in the Indian real estate market and the Group's market share. Further, the Group's presence across product segments and price points further mitigates the risk.

Exposure to cyclicity in real estate sector – The real estate sector is cyclical and has a highly fragmented market structure because of the presence of many regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand.

Liquidity position: Adequate

As of January 2024, the company has around Rs. 30 crore of debt outstanding, which is to be paid by June 2024 in quarterly instalments as per the repayment schedule. It had cash and liquid investments of Rs. 112 crore as of January 2024, which will be used for repaying the existing debt obligations and cover the pending cost of Rs. 51 crore. Any shortfall in debt repayments will be met through the cash available at the Group level.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to demonstrate significant increase in scale while maintaining strong collections, low leverage and healthy liquidity position on a sustained basis. Additionally, improvement in the credit profile of the parent, KRL, could also favourably impact the rating.

Negative factors – The rating may be downgraded in case of any significant delay in collection of committed receivables or liquidation of the pending units adversely impacting the debt servicing metrics. Further, a material deterioration in the credit profile of the parent, KRL or any weakening in linkages with the parent could lead to a revision in the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	Parent: Keystone Realtors Limited (KRL) ICRA expects the parent, KRL, to provide timely financial support to RRPL, for funding shortfall, if any, given their substantial financial linkages, RRPL's strategic importance for the parent and parent's reputation sensitivity to default.
Consolidation/Standalone	The assigned rating is based on the issuer's standalone financial statements

About the company

Incorporated in 2003, Rustomjee Realty Private Limited is a part of the Rustomjee Group, a Mumbai-based real estate developer. The company has developed a premium residential project – Rustomjee Elements – in Upper Juhu, Andheri West, Mumbai. The project includes saleable component - seven residential towers as well as non-saleable components - eight rehabilitation towers. The saleable component of seven residential towers has a saleable area of 6.8 lakh sq. ft. The OC for the last tower was received in September 2021.

Key financial indicators (audited)

Standalone- RRPL	FY2022	FY2023
Operating income	302	111
PAT	41	10
OPBDIT/OI	23%	20%
PAT/OI	14%	9%
Total outside liabilities/Tangible net worth (times)	1.4	0.9
Total debt/OPBDIT (times)	1.9	2.8
Interest coverage (times)	10.8	2.4

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

Instrument		Current Rating (FY2024)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on December 31, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Mar 27, 2024	Dec 19, 2022	Sept 30, 2021	Apr 01, 2020
1	Term loans	Long-term	135.0	41.3	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	[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 loan-I	Mar-2021	NA	Jun-2024	135.0	[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 - Not Applicable

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