

September 30, 2024

Honer Prime Housing LLP: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	300.00	[ICRA]BBB- (Stable); assigned
Long-term – Overdraft	(50.00)	[ICRA]BBB- (Stable); assigned
Total	300.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in the favourable location of the project being developed by Honer Prime Housing LLP (HPHLLP), which supports its marketability, healthy sales velocity, and comfortable leverage. HPHLLP is developing a residential project, Honer Signatis, in Kukatpally, Hyderabad, which is a prime residential area and 6-10 km from major commercial office hubs like Hitech City, Gachibowli, etc. This supported healthy sales velocity and enhances the marketability of the project. During February 2023 to July 2024, the firm sold 49% of total share of developer's area (developer share of 5.5 million square feet (msf)) in the Honer Signatis project with a sales value of Rs. 2,027 crore and collections of Rs. 469 crore. The rating notes the adequate cash flow adequacy ratio, wherein the committed receivable of ~Rs. 1,558 crore covers around 61% of the pending cost worth ~Rs. 2,447 crore and outstanding debt of Rs. 125 crore as of July 2024. Further, the collections are estimated to increase by 45-50% in FY2025 (PY: Rs. 362 crore), supported by incremental sales and expected adequate construction progress. The company's reliance on external debt is low with estimated External Debt/CFO to remain comfortable below 1 times in FY2025 and FY2026.

The rating is, however, constrained by the nascent stage of construction, which exposes the firm to high execution risk. As of July 2024, only 13% of the total project cost had been incurred. The company is also exposed to moderate market risks for the unsold area of 2.8 msf (51% of total saleable area). Timely construction and sales of the remaining units will be important as the remaining project cost is expected to be partly funded by customer advances. The company is exposed to high geographical concentration as the Group has ongoing projects limited to the Hyderabad market. The rating factors in the vulnerability of its sales to any downturn in real estate demand and stiff competition from regional and established real-estate developers.

The Stable outlook on [ICRA]BBB- rating reflects ICRA's opinion that the company will benefit from the expected healthy sales velocity backed by favourable location, which, along with adequate construction progress is likely to lead to healthy collections while maintaining low leverage.

Key rating drivers and their description

Credit strengths

Favourable location of the project - HPHLLP is developing a residential project, Honer Signatis, in Kukatpally, Hyderabad, which is a prime residential area and 6-10 km from major commercial office hubs like Hitech City, Gachibowli, etc. The favourable location has supported the healthy sales velocity and enhances marketability of the project.

Healthy sales velocity and adequate cash flow adequacy ratio – During February 2023 to July 2024, the firm sold 49% of total share of developer's area (developer share of 5.5 million square feet (msf)) in the Honer Signatis project with a sales value of Rs. 2,027 crore and collections of Rs. 469 crore, backed by the favourable location. Hence, the firm has adequate cash flow adequacy ratio, wherein the committed receivable of ~Rs. 1,558 crore covers around 61% of the pending cost worth ~Rs. 2,447

core and outstanding debt of Rs. 125 crore as of July 2024. Further, the collections are estimated to increase by 45-50% in FY2025 (PY: Rs. 362 crore), supported by incremental sales and expected adequate construction progress. The company's reliance on external debt is low with estimated External Debt/CFO to remain comfortable below 1 times in FY2025 and FY2026.

Credit challenges

Exposure to high project execution and moderate market risks – The project is in the initial stage of construction with only 13% of the total cost incurred as of July 2024 and is expected to be completed by FY2028, thereby exposing it to execution risk. The company is exposed to moderate market risks for the unsold area of 2.8 msf (51% of total saleable area). Timely construction and sales of the remaining units will be important, as the remaining project cost is expected to be partly funded by customer advances.

Cyclicality inherent in real estate sector and geographical concentration risk – The company is exposed to high geographical concentration as the Group has ongoing projects limited to the Hyderabad market. The real estate sector is marked by volatile prices and a highly fragmented market structure due to the presence of regional and established real-estate developers. In addition, being a cyclical industry, the real estate sector is highly dependent on macroeconomic factors, which in turn render the company's sales vulnerable to any downturn in demand.

Liquidity position: Adequate

ICRA expects HPHLLP's liquidity position to be adequate, with free cash and liquid balances of Rs. 16.3 crore and undrawn bank limits of Rs. 175 crore as of July 2024. The company has committed receivables of Rs. 1,558 crore from the sold area as of July 2024, covering 61% of the pending cost and outstanding debt. Its debt repayments are expected to be adequately serviced from 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 along with healthy construction progress, leading to an improvement in cash flows from operations, while maintaining low leverage and healthy liquidity on a sustained basis.

Negative factors – The rating may be downgraded, in case of significant delays in project execution and/or subdued sales and collections resulting in considerable reliance on debt and weakening of 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

Honer Prime Housing LLP (HPHLLP), based out of Hyderabad, Telangana, was incorporated in 2019 by four experienced professionals from the retail sector namely Mr. Venkateswarlu, Mr. S Rajamouli, Mr. Balachandrudu and Mr. Y.S. Kumar. HPHLLP is executing a residential project, Honer Signatis, in Kukatpally, Hyderabad, with a total saleable area of 7.8 million sq. ft on a land admeasuring 27.5 acre. Honer Developers Private Limited (HDPL), part of the Honer Group, has successfully completed 3.2 million sq. ft (1,976 homes) across two residential projects i.e., Honer Vivantis in FY2021 and Honer Aquantis in

FY2024. The Honer Group is executing one more project, Honer Richmond, under Honer Communities LLP comprising 142 villas on a land admeasuring 28.4 acres at Kukatpally, Hyderabad.

Key financial indicators (audited)

	FY2023	FY2024*
Operating income	-	-
PAT	-0.1	-0.6
OPBDIT/OI	-	-
PAT/OI	-	-
Total outside liabilities/Tangible net worth (times)	-12,961.8	12.1
Total debt/OPBDIT (times)	533.8	103.4
Interest coverage (times)	0.9	0.8

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts 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)	Sep 30, 2024	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	300.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Overdraft	Long Term	(50.00)	[ICRA]BBB- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term – Overdraft	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	March 2024	NA	FY2029	300.00	[ICRA]BBB- (Stable)
NA	Overdraft	NA	NA	NA	(50.00)	[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: Not Applicable

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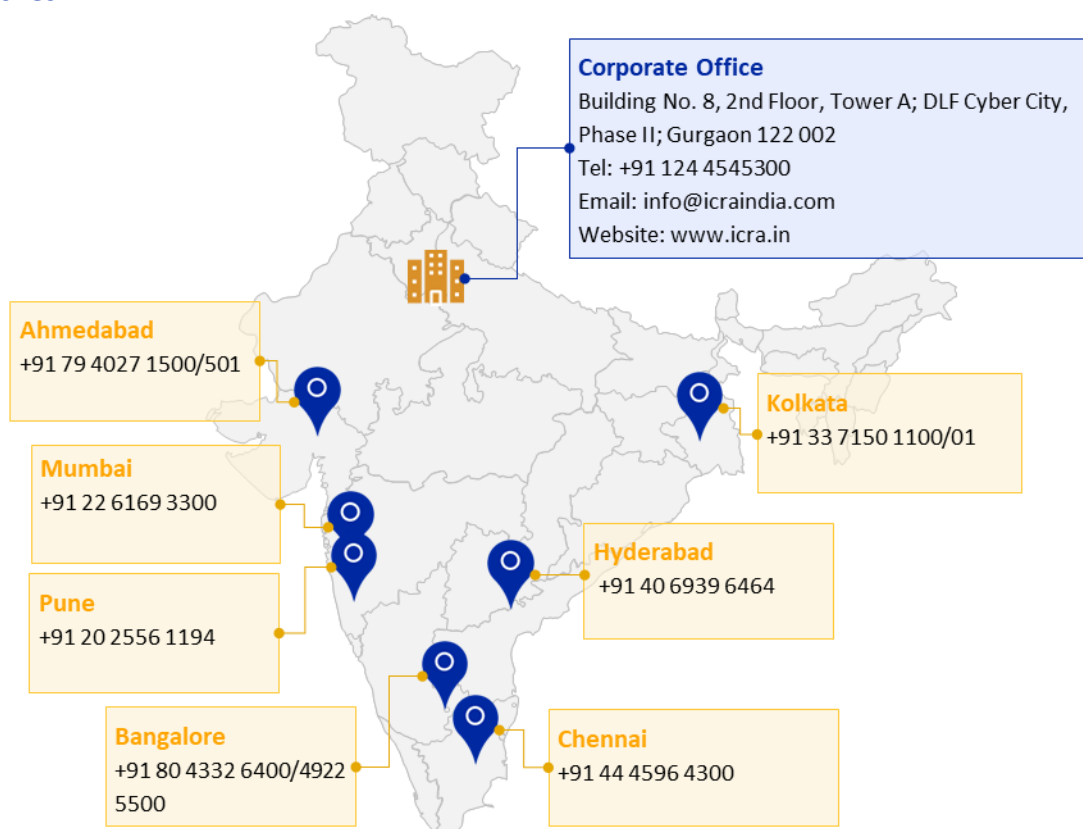


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