

October 21, 2024

Chandak Realtors Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	28.00	[ICRA]BB+ (Stable); assigned
Total	28.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to the bank facilities of Chandak Realtors Private Limited (CRPL)¹ factors in the expected healthy improvement in its collections by 140-150% (PY: Rs. 336 crore), supported by good sales velocity in its ongoing projects, adequate construction progress, along with a strong launch pipeline. On a consolidated basis, the company is currently executing four projects (one of which is recently launched in June 2024) with around 48% of the total carpet area sold in these projects as of July 2024. The rating notes the Chandak Group's established project execution and delivery track record in the Mumbai Metropolitan Region (MMR), the favourable location of the ongoing projects namely, Treesourus, Highscape City 1A, Unicorn and 34 Park Estate, which enhances saleability. The promoters have around four decades of experience in the real estate development and the Group has delivered more than 5 million square feet (msf) of area across residential and commercial projects.

The rating is, however, constrained by the company's exposure to moderate market and execution risks for the ongoing as well as upcoming projects. It has unsold inventory of around 52% of the total carpet area and 70% of the cost is yet to be incurred as of July 2024. The cash flow adequacy ratio² remained low at 28% as of July 2024. CRPL's total debt is estimated to increase to around Rs. 780-850 crore as of March 2025 (PY: Rs. 401.3 crore) majorly for funding the construction progress on its ongoing as well as newly launched projects. This along with modest project profitability and cash flow from operations are likely to result in weak leverage in FY2025. ICRA takes note of CRPL's existing projects under development management (DM) model, against which corporate guarantees have been provided. These projects have reported healthy sales and construction progress, mitigating the risks of funding support to be provided to some extent. The company's portfolio is also exposed to geographical concentration risk due to dependence of projects in the MMR region. Moreover, being a cyclical industry, the residential real estate sector is highly dependent on macro-economic factors, which exposes its sales to any downturn in demand and competition within the region from various established developers.

The Stable outlook on CRPL's rating reflects ICRA's opinion that the company will benefit from the favourable location of the ongoing and upcoming projects, which will enhance its saleability, cash flow adequacy, expected increase in sales and collections.

¹ While arriving at the rating, ICRA has consolidated the projects of Chandak Realtors Private Limited (CRPL) along with project Unicorn under Saroj Landmark Realty LLP as this project is given as security to one of the projects of CRPL, whose repayment will be done from the proceeds of Unicorn project. Further, the projects 34 Park Estate (under Reddy Builders and Developers) and Insignia 2 (under Shreepati Rise Estate LLP) projects have also been consolidated with CRPL as CG has been extended by CRPL for these projects.

² Cashflow adequacy ratio = Committed receivables from ongoing projects/ (Pending cost of ongoing projects + Debt o/s of ongoing projects)

Key rating drivers and their description

Credit strengths

Expected increase in collections in FY2025 – The company's collections are expected to increase by 140-150% (PY: Rs. 336 crore), supported by good sales velocity in its ongoing projects, adequate construction progress, along with strong launch pipeline.

Favourable location of projects – The company's ongoing projects namely, Treesourus, Highscape City 1A (recently launched in June 2024), Unicorn and 34 Park Estate are favourably located with good connectivity to the rest of the city and key transit nodes, which enhances their saleability. On a consolidated basis, around 48% of the total carpet area is sold in these projects as of July 2024.

Extensive experience of promoters in real estate development – The promoters have about four decades of experience in the real estate development and have completed several projects in Mumbai and Thane. The Chandak Group has a track record in affordable housing, commercial shops, offices and re-development of societies and slums through various group entities. The Group has delivered more than 5 msf of area across residential and commercial projects.

Credit challenges

Modest project profitability and weak leverage – The company's total debt is estimated to increase to around Rs. 780-850 crore as of March 2025 (PY: Rs. 401.3 crore) majorly for funding the construction progress on its ongoing as well as newly launched projects. This along with modest project profitability and cash flow from operations is likely to result in weak leverage in FY2025. CRPL has projects under DM model against which corporate guarantees have been provided. These projects have reported healthy sales and construction progress, mitigating the risks of funding support to be provided to some extent.

Exposure to market and execution risk – The company is exposed to moderate market and execution risks for the ongoing as well as upcoming projects. It has unsold inventory of around 52% of the total carpet area and 70% of the cost is yet to be incurred as of July 2024. The cash flow adequacy ratio remained low at 28% as of July 2024.

Geographical and asset concentration risk and susceptibility to cyclicity in real estate sector – The company's portfolio is exposed to geographical and asset concentration risks due to dependence on projects in the MMR region. Moreover, being a cyclical industry, the residential real estate sector is highly dependent on macro-economic factors, which exposes its sales to any downturn in demand and competition within the region from various established developers.

Liquidity position: Adequate

The company's liquidity position remains adequate, supported by undrawn bank limits aggregating to around Rs. 485 crore as of September 2024, along with unencumbered cash and bank balance of Rs. 32.7 crore as of March 2024. Further, it has principal repayment of Rs. 168 crore in FY2025, which is expected to be adequately met through the collections from the ongoing projects and DM fees from the existing project. The repayments are majorly through collection-linked sweep mechanism.

Rating sensitivities

Positive factors – Significant and sustainable improvement in the scale of operations and profitability, along with improvement in the cash flow from operations would result in a rating upgrade.

Negative factors – Negative pressure on the rating could arise in the case of significant decline in sales, collection or delay in project execution or material increase in contingent liabilities resulting in further increase in indebtedness impacting the leverage. Further, weakening of the company's liquidity position could lead to rating pressure.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty- Commercial/Residential/Retail
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has consolidated the projects of Chandak Realtors Private Limited (CRPL) along with project Unicorn under Saroj Landmark Realty LLP as this project is given as security to one of the projects of CRPL, whose repayment will be done from the proceeds of Unicorn project. Further, the projects 34 Park Estate (Reddy Builders and Developers) and Insignia 2 (Shreepati Rise Estate LLP) projects have been consolidated with CRPL as CG has been extended by CRPL for these projects.

About the company

The Chandak Group is a second-generation real estate enterprise established in 1986 by the Late Mr. Shyamsunder G. Chandak and is currently managed by his sons, Mr. Abhay Chandak and Mr. Aditya Chandak. Chandak Realtors Private Limited is a private company incorporated on December 01, 2006. On a consolidated basis, the company is executing four projects with total carpet area of around 2 msf. Also, it has 4 other projects in MMR in pipeline with a total carpet area of around 1.9 msf.

Key financial indicators (audited)

CRPL Standalone	FY2023	FY2024
Operating income	-	56.1
PAT	0.1	1.6
OPBDIT/OI	-	7.4%
PAT/OI	-	2.9%
Total outside liabilities/Tangible net worth (times)	3.2	12.1
Total debt/OPBDIT (times)	-1,311.4	110.6
Interest coverage (times)	-0.1	0.3

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: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Oct 21, 2024	-	-	-
1	Fund-based/ Non-fund based limits	Long-term	28.0	[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	Term loan-I	June 2024	10.45%	FY2027	28.0	[ICRA]BB+ (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
Chandak Realtors Private Limited	-	Full Consolidation
Saroj Landmark Realty LLP	-	Limited Consolidation^
Reddy Builders and Developers	-	Limited Consolidation*
Shreepati Rise Estate LLP	-	Limited Consolidation*

Source: Company; ICRA Research

*The projects 34 Park Estate (Reddy Builders and Developers) and Insignia 2 (Shreepati Rise Estate LLP) projects have been consolidated as CG has been extended by CRPL for these projects.

^Project Unicorn under Saroj Landmark Realty LLP has been consolidated as this project is given as security towards one of the loan of CRPL, whose repayment will be done from the proceeds of Unicorn project.

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