

October 28, 2024

Conceptual Advisory Services LLP: 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	500.0	500.0	[ICRA] BBB+ (Stable); reaffirmed
Long-term – Non-fund based – Letter of credit	(150.0)	(150.0)	[ICRA] BBB+ (Stable); reaffirmed
Total	500.0	500.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Conceptual Advisory Services LLP (CASL) factors in the expected growth in collections for the first phase of its project, Suraksha Smart City, supported by healthy construction progress, good sales velocity and adequate end-user demand. CASL has launched seven out of ten towers under Phase-1 and 76% of the launched units have been booked till June 2024. The firm's sales are estimated to grow by about 15%-25% in FY2025 (PY: Rs. 253 crore) and collections are projected to rise by about 90%-95% in FY2025 (PY: Rs. 217 crore). The revision in the annual family income criteria for economically weaker section (EWS), to Rs. 6 lakh from Rs. 3 lakh support the demand. Dependence on external debt for funding the construction progress is low so far with total external debt levels for the project at Rs. 78.6 crore as of March 2024 and it is anticipated to remain at around Rs. 140-150 crore as of March 2025. This along with the expected improvement in cash flow from operations is likely to result in comfortable leverage with total external debt/CFO at 1.6-1.9 times as of March 2025. The rating factors in the attractive location of project - Suraksha Smart City - at Vasai (East), Mumbai Metropolitan Region (MMR). The rating favourably considers CASL's strong parentage and the resultant financial flexibility. The firm is jointly owned by the promoters of Sun Pharmaceutical Industries Limited (through Rayo Enterprises LLP), Debonair Buildwell LLP (promoted by Mr. Sudhir Valia and family), Vijesh Buildwell LLP (promoted by Mr. Vijay Parekh and Mr. Paresch Parekh) and Suraksha Realty Limited. The promoters have funded the project till date through equity contribution and unsecured loans totalling to Rs. 2,244 crore as on March 31, 2024. ICRA expects the promoters to support the project's funding requirements, going forward, as and when need arises.

The rating is, however, constrained by the moderate execution and funding risks. At present, the firm is constructing Phase-1, which comprises 10 towers of G+23 structure. As of June 2024, it is yet to incur around 62% of the total project cost exposing the firm to execution risk. Nonetheless, CASL has operationalised its pre-cast plant, which has aided the construction progress, and Phase-1 is estimated to be delivered by the end of FY2026. As of June 2024, the cashflow adequacy ratio¹ remains moderate at 54% on account of pending receivables worth Rs. 547 crore against pending cost of Rs. 916 crore. The pending cost is proposed to be funded mainly through the customer advances, along with undrawn bank limits, thus exposing the project to funding risk. However, the risk is mitigated by the demonstrated track record of the promoters of supporting the entity in the past.

Further, the firm is exposed to moderate market risk for the upcoming launches. However, ICRA draws comfort from the fact that the project is approved under the Pradhan Mantri Awas Yojana (PMAY) scheme of the Ministry of Housing and Urban Affairs, Government of India and the units in the project are allotted through a lottery mechanism, which is governed by a Memorandum of Understanding with the Maharashtra Housing and Area Development Authority (MHADA). The selling price per unit is fixed at Rs. 22.50 lakh, inclusive of PMAY subsidy of Rs. 2.50 lakh. This has helped the firm attract significant

¹ Cashflow Adequacy Ratio = Committed Receivables/ (Pending Cost + Total External project Debt)

applications from eligible customers, mitigating the market risk to an extent. Moreover, being a cyclical industry, the real business is highly dependent on macro-economic factors, which exposes its sales to any downturn in demand and competition within the region from various other developers.

The rating is constrained by the counterparty credit risk as the customers would be from the economically weaker section (EWS) and low-income group (LIG). However, ICRA notes that majority bookings are backed by bank loans. Timely conclusion of the sale agreements for future sales (including upcoming launches) with eligible customers and ensuring collections in line with the payment milestones will remain a key rating monitorable.

The Stable outlook on CASL's rating reflects ICRA's expectation that the firm will benefit from the adequate sales and collections from its ongoing as well as new launches in the project, while maintaining low debt levels and comfortable leverage.

Key rating drivers and their description

Credit strengths

Estimated improvement in collections in FY2025; comfortable leverage expected as of March 2025 – The firm's sales are estimated to grow by about 15%-25% in FY2025 (PY: Rs 253 crore) and collections are projected to rise by about 90%-95% in FY2025 (PY: Rs 217 crore). The revision in the annual family income criteria for economically weaker section (EWS), to Rs. 6 lakh from Rs. 3 lakh support the demand. Dependence on external debt for funding the construction progress is low so far with total external debt levels at Rs. 78.6 crore as of March 2024 and it is anticipated to remain at around Rs. 140-150 crore as of March 2025. This along with the expected improvement in cash flow from operations is likely to result in comfortable leverage with total external debt/CFO at 1.6-1.9 times as of March 2025.

Attractive location of property – The project is at Vasai East, near Mumbai, along the North South axis of the Mumbai-Ahmedabad Highway, at about 1.4 km from the Vasai railway station and about 5 km from National Highway 48. The site would be adjoining the proposed Delhi-Mumbai Freight Corridor and the proposed Mumbai-Ahmedabad Bullet Train Corridor. Vasai is a fast-developing area in the Palghar district of Maharashtra. Connectivity is the prime factor that attracts majority of home buyers to the Mumbai Metropolitan Region.

Strong parentage and resultant financial flexibility – CASL is jointly owned by the promoters of Sun Pharmaceutical Industries Limited (through Rayo Enterprises LLP - 70% profit sharing and 82.35% loss sharing), Debonair Buildwell LLP (promoted by Mr. Sudhir Valia and family – 14.0% profit sharing and 17.65% loss sharing), Vijesh Buildwell LLP (promoted by Mr. Vijay Parekh and Mr. Paresh Parekh - 14.0% profit sharing) and Suraksha Realty Limited (2% profit sharing). The promoters have funded the project till date through equity contribution and unsecured loans totalling to Rs. 2,244 crore as on March 31, 2024. ICRA expects the promoters to support the project's funding requirements going forward, as and when need arises.

Credit challenges

Exposure to execution and funding risk – The firm is exposed to moderate execution and funding risk as it is currently developing the first phase of the project, which comprises 10 towers of G+23 structure. As of June 2024, it is yet to incur around 62% of the total project cost exposing the firm to execution risk. As of June 2024, the cash flow adequacy ratio remains moderate at 54% on account of pending receivables worth Rs. 547 crore against pending cost of Rs. 916 crore. The pending cost is proposed to be funded mainly through the customer advances, along with undrawn bank limits, thus exposing the project to funding risk.

Susceptibility to market risk for sizeable upcoming launches – Suraksha Smart City is proposed to be developed over 362 acres with a development potential of over 60 million square feet (msf) and would be developed in multiple phases. CASL is currently developing the first phase measuring about 13.01 acres with 7,423 residential units and 129 shops (total saleable area of about 4.08 msf). ICRA draws comfort from the fact that the project is approved under the Pradhan Mantri Awas Yojana (PMAY) scheme of the Ministry of Housing and Urban Affairs, Government of India and the units in the project are allotted through a lottery mechanism, which is governed by a Memorandum of Understanding with the Maharashtra Housing and Area

Development Authority (MHADA). The selling price per unit is fixed at Rs. 22.50 lakh, inclusive of PMAY subsidy of Rs. 2.50 lakh. This has helped the firm attract significant applications from eligible customers, mitigating the market risk to an extent.

Exposure to cyclicity in real estate business – The residential real estate sector, being cyclical in nature is highly dependent on macro-economic factors, which exposes the sales to any downturn in demand and competition within the region from various other developers.

Liquidity position: Adequate

The firm's liquidity position remains adequate, with an unencumbered cash balance of ~Rs. 115.1 crore as on March 31, 2024 (as per provisional financials). As of June 2024, the pending receivable from the project is at Rs. 547 crore against pending cost of Rs. 916 crore. It is dependent on incremental sales to meet pending cost. ICRA expects the promoters to fund the project-related outflows and support the project funding in case the need arises. Further, its cash flow from operations are expected to remain sufficient to meet the debt servicing obligations for FY2025.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a significant improvement in sales and collections for the ongoing and upcoming launches, along with improvement in cash flow from operations.

Negative factors – Negative pressure on the rating could arise if there is a slowdown in sales, decline in collections or delays in project execution or any significant increase in indebtedness, resulting in deterioration in liquidity and leverage position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Commercial/Retail/Residential
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Conceptual Advisory Services LLP (CASL), incorporated on January 18, 2018, is constructing an affordable housing project, named Suraksha Smart City, on 362.60 acres of land at Vasai (East), near Mumbai, India. The project has a development potential of over 60 msf and would be developed in multiple phases. The firm is currently developing the first phase measuring about 13.01 acres with a total saleable area of about 4.08 msf. CASL is jointly owned by the promoters of Sun Pharmaceutical Industries Limited (through Rayo Enterprises LLP - 70% profit sharing and 82.35% loss sharing), Debonair Buildwell LLP (promoted by Mr. Sudhir Valia and family – 14.0% profit sharing and 17.65% loss sharing), Vijesh Buildwell LLP (promoted by Mr. Vijay Parekh and Mr. Paresh Parekh - 14.0% profit sharing) and Suraksha Realty Limited (2% profit sharing).

Key financial indicators (audited)

CASL (Standalone)	FY2023	FY2024*
Operating income	0.9	226.9
PAT	-10.4	-11.9
OPBDIT/OI	-1276.4%	4.7%
PAT/OI	-1098.3%	-5.2%
Total outside liabilities/Tangible net worth (times)	-442.9	-276.2
Total debt/OPBDIT (times)	-171.9	219.9
Interest coverage (times)	-898.3	607.8

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; *Provisional

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
Fund-based - Term loans	Long Term	500.0	October 28, 2024	[ICRA] BBB+ (Stable)	July 28, 2023	[ICRA] BBB+ (Stable)	April 29, 2022	[ICRA] BBB (Stable)	June 08, 2021	[ICRA] BBB (Stable)
Letter of credit*	Long Term	(150.0)	October 28, 2024	[ICRA] BBB+ (Stable)	July 28, 2023	[ICRA] BBB+ (Stable)	April 29, 2022	[ICRA] BBB (Stable)	June 08, 2021	[ICRA] BBB (Stable)

*Sublimit of the term loan facility

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based - Term loan	Simple
Long-term - Non-fund based - Letter of credit	Very 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	March 2024	10.25%	March 2028	500.0	[ICRA]BBB+ (Stable)
NA	Letter of credit	-	-	-	(150.0)	[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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Branches



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