December 02, 2024

KJP & ASSOCIATES: [ICRA]BBB-(Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund Based – Term Loan	70.0	[ICRA]BBB- (Stable); assigned
Total	**70.0**	

Instrument details are provided in Annexure-I

Rationale

The assigned rating of KJP & Associates (KJP) considers the favourable location of the property under construction, healthy current occupancy of the existing properties and the overall strong track record of timely rent receipts from properties under the firm's portfolio. KJP currently operates with commercial spaces in New Delhi and Mohali (Punjab) with a total leasable area of 0.3 million square feet (msf) and has ~0.03 msf of area, which is being developed. The new property, which is under development, is located in Naoroji Nagar, New Delhi and is in proximity to prominent areas of South Delhi. The assigned rating also favourably factors in the healthy debt metrics of the firm on the back of no external debt till March 31, 2024. With debt levels expected to increase in FY2025, the leverage is likely to remain low. The rating further factors in support from the partners having diverse experience across the industries and having a healthy net worth. Going forward, the firm will maintain a debt service reserve account (DSRA), equivalent to three months of debt service obligations, which will provide further comfort.

However, the rating remains constrained by KJP's small scale of operations. Further, there is tenancy risk as two of the four existing tenants, accounting for ~98% of the current leasable area, will be vacating the property in December 2024 and new tenants have not yet tied up. Further, the tenants for the under-construction property in Delhi are yet to be tied up. That said, the company has a good pipeline of prospective tenants and the same are expected to support the overall occupancy levels, going forward. The ratings are further constrained by the firm's exposure to the market risk and vulnerability of debt coverage indicators to uncertainty over occupancy levels.

Key rating drivers and their description

Credit strengths

Healthy occupancy and track record of timely rent receipts of existing properties – The firm was founded in 2006 and since then, has been involved in the business of purchasing and renting properties. The firm has a healthy occupancy level. The firm has total four rented positions as of now, of which two are in Mohali and two in New Delhi. The properties in Delhi have been rented to Group companies while the Mohali properties have been rented to external parties. The monthly rent realised by the firm stands at Rs. 2.92 crore at present.

Favourable location of the property under construction – The firm has recently purchased a new property in Naoroji Nagar, New Delhi, which is currently under construction. The location of the property is favourable and has the potential to attract high rentals with a strong tenant profile. However, the tenancy risk pertains, given the ongoing construction phase.

Healthy debt metrics – As on date, the firm's financial risk profile remains healthy with limited cash outflows against the rental inflows. The external debt remained nil as on March 31, 2024. The leverage is expected to remain healthy in FY2025, with no repayment obligations in FY2025. However, it may moderate in FY2026 as and when the repayment commences but will strengthen when the rental inflow commences from the new property. Repayments are expected to commence from the second half of FY2026 as the Lease Rentals Debt (LRD) loan availed has one year of moratorium period.

Credit challenges

Moderate scale of operations – The rating is constrained by the small scale of operations and exposure to high tenant concentration risk with top four tenants occupying 100% of the current leasable area and contributing to the entire revenues of the firm. Any significant weakening in the credit profile or business operations of the tenants, resulting in material reduction in occupancy, may adversely impact KJP's operational cash flows. Further, timely collection of rentals from all the tenants will remain a key monitorable.

Exposure to high tenancy risk – The tenancy risk remains high as the new property is currently under construction and tenants are yet to be tied up. The risk is further accentuated by the fact that two current tenants would also vacate the property by the end of December 2024. The new tenants for these properties are yet to tied up. However, the company has a good pipeline of prospective tenants and the same is expected to support the overall occupancy levels, going forward.

Exposed to market risks – The new property is under the construction phase, which exposes the company to moderate execution and market risks.

Vulnerability of debt coverage ratios to changes in interest rates and occupancy levels – The debt coverage metrics remain vulnerable to changes in interest rates or reduction in occupancy levels.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by unencumbered cash balances of Rs. 1.2 crore as on March 31, 2024, further supported by ~Rs. 64 crore of investments in the form of mutual funds. The repayments for the LRD loan will commence from H2 FY2026, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the company's rating if there is a significant increase in the scale of operations while maintaining healthy debt protection metrics.

Negative factors – Pressure on the rating could arise if there is a considerable delay in renting out the recently acquired property/upcoming vacancies and/or any delay in timely rental receipts or a significant increase in leverage levels, leading to 5-year average DSCR of less than 1.2 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2006, KJP & Associates is a partnership firm having its registered office in New Delhi. It was formed by three partners, Mr. Kabir Singh, Mr. Jagmit Singh and Mr. Preetpal Singh. In 2009, Mr. Jagdip Singh and Mr. Taranjit Singh were introduced as partners, and all were holding a 20% profit sharing ratio. In 2014, Sigma Industries Limited (SIL) was introduced as a partner with a 25% profit sharing ratio. Thereafter, in 2019, SIL was merged with another group entity named Sigma Corporation India Limited (SCIL) and the latter became a partner.

The firm currently operates with commercial spaces in New Delhi and Mohali (Punjab) with a total leasable area of 0.3 msf and another ~0.03 msf of area is being developed at present. The new property, which is under development, is located in Naoroji Nagar, New Delhi and is in proximity to prominent areas of South Delhi.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	27.5	32.0
PAT	21.0	25.4
OPBDIT/OI	98.9%	99.4%
PAT/OI	76.2%	79.5%
Total outside liabilities/Tangible net worth (times)	0.1	0.1
Total debt/OPBDIT (times)	1.1	0.9
Interest coverage (times)	5,019.9	27,049.3

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

	Current year (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Dec 02, 2024	Date	Rating	Date	Rating	Date	Rating
Fund based – Term Loan	Long term	70.0	[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**	FY2025	NA	FY2033	70.0	[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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About ICRA Limited:

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