

December 31, 2024

Rajapushpa Asset Management LLP: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	160.00	660.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Total	160.00	660.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation of Rajapushpa Asset Management LLP (RAMLLP) factors in the 100% leasing of the two commercial office projects (Paradigm and Summit with a total leasable area of 0.93 million square feet (msf)) and favourable location of the recently launched residential project, Casa Luxura in Neopolis, Kokapet, Hyderabad, which is well connected to IT and commercial hubs like Hitech City, Gachibowli, and Financial district, enhancing the marketability of the project. The commercial projects are expected to generate annualised rentals of ~Rs. 55-60 crore with adequate debt protection metrics during the tenor of lease rental discounting (LRD) loans. ICRA expects Rajapushpa Properties Private Limited (RPPL, rated at [ICRA]A-(Stable)) to provide timely financial support to RAMLLP, for any funding shortfall, given the common promoters and to protect RPPL/Rajapushpa Group's reputation from the consequences of a Group company's distress. The rating draws comfort from the Rajapushpa Group's established track record and demonstrated execution capabilities. The Group has delivered more than ~14 million square feet (msf) of area in the last 15 years. At present, the Group is developing 25.0 msf (developer share – 19.6 msf) of residential and 3.6 msf (developer share – 3.14 msf) of commercial spaces in Hyderabad.

The rating is, however, constrained by high execution and market risks of the recently launched large-size premium residential project – Casa Luxura with a saleable area of 3.99 msf. As of November 2024, ~8% of the project area was sold and it is expected to be largely funded through customer advances and Rs. 500 crore of sanctioned construction finance debt. Hence, the sales velocity of the project will be the key monitorable. However, comfort can be drawn from the Rajapushpa Group's track record in residential real estate in Hyderabad, which mitigates the risk to an extent. The company's collections are exposed to geographical concentration risk with the single ongoing residential project and two commercial projects are limited to the Hyderabad market. The rating factors in the vulnerability of its sales to any downturn in the residential real estate demand and stiff competition within the region from various established real estate developers. The rating is also constrained by RAMLLP's exposure to tenant concentration risk in commercial office projects with top 5 tenants occupying 73% of leasable area of Summit (0.28 msf) and Paradigm (0.65 msf) being leased to a single tenant.

The Stable outlook on RAMLLP rating reflects ICRA's opinion that the company will benefit from the strong leasing in its commercial portfolio, favourable location of the residential project which enhances the marketability, supporting the collections and cash flow from operations.

Key rating drivers and their description

Credit strengths

Established track record of the Rajapushpa group in Hyderabad real estate market – Rajapushpa group has established track record and demonstrated execution capabilities of developing more than ~14 msf of area till date in Hyderabad with good reputation for quality and timely completion. Currently the group is developing 25.0 msf (developer share – 19.6 msf) of residential and 3.6 msf (developer share – 3.14 msf) of commercial space in Hyderabad.

Favourable location of ongoing residential project and fully leased office assets – RAMLLP has 100% leasing of the two commercial office projects (Paradigm and Summit with a total leasable area of 0.93 million square feet (msf)) and favourable location of the recently launched residential project, Casa Luxura in Neopolis, Kokapet, Hyderabad which is well connected to IT and commercial hubs like Hitech City, Gachibowli, and Financial District, enhancing the marketability of the project. The commercial projects are expected to generate annualised rentals of ~Rs. 55-60 crore with adequate debt protection metrics during the tenor of lease rental discounting (LRD) loans.

Credit challenges

Exposure to execution and market risks for ongoing residential project - RAMLLP is exposed to high execution and market risks of the recently launched large-size premium residential project, Casa Luxura, with a saleable area of 3.99 msf. As of June 2024, ~8% of the project was sold and it is expected to be largely funded through customer advances and Rs. 500 crore of sanctioned construction finance debt. Hence, the sales velocity of project will be the key monitorable. However, comfort can be drawn from the Rajapushpa Group's track record in residential real estate in Hyderabad, which mitigates the risk to an extent.

Cyclicality inherent in real estate sector and geographical concentration risk – Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which exposes its sales to any downturn in real estate demand. In addition, RAMLLP is mainly concentrated in the Hyderabad real estate market, which exposes it to geographical concentration risk.

Liquidity position: Adequate

RAMLLP's liquidity is adequate. It has got sanction for Rs. 500 crore from State Bank of India for the construction of residential project Casa Luxura whose total project cost is estimated at Rs. 2,688 crore. RAMLLP has scheduled repayment obligations of Rs. 9 crore in FY2025 and Rs. 18 crore in FY2026, which are expected to be serviced through cash flows from office projects and support from RPPL if required.

Rating sensitivities

Positive factors – The rating may be upgraded, if there is a significant increase in collections of ongoing residential project while maintaining healthy occupancy of office portfolio resulting in an improvement in cash flows and debt protection metrics on a sustained basis.

Negative factors – The rating may be downgraded if there is a decline in the occupancy of the office portfolio or subdued sales and collections in the residential project adversely impacting the cash flows from operations and debt protection metrics on a sustained basis. Also, rating might be downgraded in case of weakening of linkages with RPPL, or if there is a deterioration in the credit profile of RPPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Realty – Lease Rental Discounting (LRD)
Parent/Group support	The rating considers support from the Group company, RPPL (rated at [ICRA]A-(Stable)). Given the strong operational and financial linkages, and common treasury, RPPL is expected to provide financial support to RAMLLP to protect its reputation from the consequences of a subsidiary's distress. Further, RPPL has provided corporate guarantee to the loan availed by RAMLLP.
Consolidation/Standalone	Standalone

About the company

RAMLLP, incorporated in August 2019, is involved in developing residential and commercial properties in and around Hyderabad. At present, it owns two completed commercial properties, Paradigm and Summit, with a total leasable area of 0.93 million square feet and is also developing the premium residential project, Casa Luxura in Neopolis, Hyderabad with a saleable area of 3.99 msf. The company also owns certain land parcel in the Aurelia project, launched under RPPL.

Key financial indicators (audited)

RAMLLP Standalone	FY2023	FY2024
Operating income	16.2	19.6
PAT	-5.2	-35.0
OPBDIT/OI	47.3%	84.3%
PAT/OI	-32.1%	-178.7%
Total outside liabilities/Tangible net worth (times)	-57.2	-13.8
Total debt/OPBDIT (times)	29.9	13.8
Interest coverage (times)	1.0	0.6

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	Amount Rated (Rs Crore)	Current (FY2025)		Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long Term	660.00	December 31, 2024	[ICRA]BBB+(Stable)	-	-	-	-	-	-
			September 23, 2024	[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 (LRD)	FY2020	NA	FY2035	160.00	[ICRA]BBB+(Stable)
NA	Term Loan	FY2025	NA	FY2031	500.00	[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

ANALYST CONTACTS

Ashish Modani

+91 22 6606 9912

ashish.modani@icraindia.com

Abhishek Lahoti

+91 40 6939 6433

abhishek.lahoti@icraindia.com

Anupama Reddy

+91 40 6939 6427

anupama.reddy@icraindia.com

Rabbani Mohammed D

+91 40 6939 6422

d.rabbani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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