

February 24, 2025

Raghava Projects: 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	225.00	0.00	-
Unallocated limits	0.00	225.00	[ICRA]BB (Stable); reaffirmed
Total	225.00	225.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Raghava Projects factors in the adequate progress in sales and collections for the project, Raghava IRIS, in FY2024, which is expected to sustain in FY2025 and FY2026. Raghava IRIS, a premium residential project, has 2.85 million square feet (msf) of leasable area (company share), of which 35% was sold as on December 31, 2024, with adequate collection/sales at 53%. The rating takes comfort from the favourable project location in Raidurg, Hyderabad. The project is well connected to IT and commercial office hubs such as Gachibowli and Madhapur, which enhances the marketability of the project.

The rating is, however, constrained by the company's exposure to high execution risks associated with the project due to limited track record of the promoters in completing large real estate projects. As on December 31, 2024, it incurred 34% of the total construction cost. Despite adequate sales, the company is exposed to market risks as the remaining units are yet to be sold with a moderate cash flow adequacy¹ of 50% as on December 31, 2024. Timely sales of the remaining units will be critical as the remaining project cost is expected to be partly funded by customer advances. Further, it is exposed to geographical concentration risk as the ongoing project is limited to the Hyderabad market. The rating factors in the vulnerability of its sales to any downturn in real estate demand and stiff competition within the region from established real-estate developers.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the favourable location and adequate sales velocity of the project.

Key rating drivers and their description

Credit strengths

Favourable location of ongoing major project, IRIS – At present, Raghava Projects is undertaking a major project called Raghava IRIS in Raidurg, Hyderabad. It is well-connected to the IT and commercial hubs such as Gachibowli and Madhapur, which enhances the marketability of the project.

Adequate sales and collections – Raghava IRIS has 2.85 million square feet (msf) of leasable area (company share), of which 35% was sold as on December 31, 2024, with adequate collection/sales at 53%. The company is expected to sustain the adequate progress in sales and collection from the project in FY2025 and FY2026.

¹ Cash flow adequacy = Committed receivables / (Outstanding debt + Pending cost)

Credit challenges

Exposed to high execution and market risks – The company is exposed to high execution risks associated with the project due to the promoters’ limited track record in completing large real estate projects. As on December 31, 2024, it had incurred 34% of the total construction cost. Despite adequate sales, the company is exposed to market risk as the remaining units are yet to be sold with moderate cash flow adequacy of 50% as on December 31, 2024.

Exposure to geographical concentration risk and cyclicity in industry – The real estate business, being a cyclical industry, is highly dependent on macroeconomic factors, which render the company’s sales vulnerable to any downturn in demand. The ongoing project is limited to the real estate market in Hyderabad, resulting in high geographical concentration risk. Further, the company has only one under-construction project in its portfolio exposing it to asset concentration.

Liquidity position: Stretched

The liquidity position of the company is stretched with high dependence on customer advances for construction of the ongoing project and term loan yet to be sanctioned. The pending project cost of Rs. 892 crore as on December 31, 2024, is expected to be funded by Rs. 459 crore of pending receivables from the sold area, proposed term loan, incremental equity infusion and balance through incremental sales.

Rating sensitivities

Positive factors – ICRA could upgrade the rating, if there is a significant and sustained increase in sales and collections, along with improvement in the cash flow adequacy and debt protection metrics.

Negative factors – Pressure on the rating could emerge, in case of delays in project execution, decline in sales and collections or significant unbudgeted debt-funded investment, resulting in deterioration in the liquidity and leverage positions.

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

Raghava Projects was incorporated on August 13, 2021, and is a partnership firm equally held between Mr. Harsha Reddy Ponguleti and Mr. Lohith Reddy Ponguleti. The company is currently developing a residential project – Raghava IRIS - with a total saleable area of 3.2 msf including the company’s share of 2.8 msf.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years						
	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based - Term loan	Long-term	0.00	Feb 24, 2025	-	Nov 06, 2023	[ICRA]BB (Stable)	-	-	-	-
Unallocated limits	Long-term	225.00	Feb 24, 2025	[ICRA]BB (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Unallocated limits	Not applicable

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	Unallocated limits	-	-	-	225.00	[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- Not applicable

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