

February 09, 2018

Janaadhar (India) Private Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Non Convertible Debentures	25.0	[ICRA]BBB- (Stable); Assigned
Fund-based – Term Loan	15.0	[ICRA]BBB- (Stable); Reaffirmed
Unallocated	15.0	[ICRA]BBB- (Stable); Reaffirmed
Total	55.0	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB- to the Rs. 25.0 crore non-convertible debenture (NCD) programmes of Janaadhar (India) Private Limited (JIPL). ICRA has also reaffirmed the rating assigned to the Rs. 30.0-crore¹ bank facilities of JIPL at [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the long-term rating is Stable.

Rationale

The rating action takes into account the profile of the company's promoters and investors, its healthy capitalisation ratio and comfortable liquidity position. The rating factors in the intent of the management to fund any land acquisition or new project development with a fresh round of equity. The rating draws comfort from the attractive pricing and low ticket size of JIPL's projects. This has translated into good sales velocity in the company's ongoing projects, Janaadhar Shubha Phase II and Janaadhar Mangala.

The rating, however, is constrained by the low profitability margin that is inherent in projects targeted at the lower income segment. The company's profitability is further limited by the low scale of operations and moderately high overheads, which have resulted in operating losses and funding deficits till FY2017. However, with the increase in revenues from Janaadhar Mangala project in the current fiscal year, the company has reported an operating and net profit in 9M FY2018. The rating takes into account the execution and market risk related to the development of the planned project in Ranjangaon, near Pune.

The rated NCD will be utilised to refinance bank loans outstanding against the Janaadhar Mangala project. The company also has the option to avail an additional Rs. 13 crore for general corporate purposes.

Outlook: ICRA believes that the credit profile of JIPL will remain stable going forward backed by the healthy sales velocity and collection of customer receipts from Janaadhar Shubha II and Janaadhar Mangala projects. The outlook might be revised to Positive if the company's projects are launched as per schedule with good saleability and backed by adequate equity fund raising. The outlook may be revised to Negative if there is any slowdown in sale or construction progress in its ongoing projects.

¹ 100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

Strong promoter profile – JIPL is promoted by the Jana Urban Foundation (JUF), which works in various segments such as financial inclusion, housing and infrastructure targeted at the urban poor. JUF is promoted by Mr. Ramesh Ramanathan, who is also the chairman of Janalakshmi Financial Services Limited.

Attractive pricing of the project improves prospects in market – The demand for the apartment units developed by JIPL is driven by the attractive pricing. The ticket price in Janaadhar Shubha is around Rs. 18 lakh per unit, while the ticket price in the Janaadhar Mangala project in GIFT City, Gujarat is around Rs. 9 lakh per unit.

Maintenance of sufficient liquidity at company level – The company has sufficient liquidity in terms of cash balances and undrawn sanctioned term loans, which can be utilised towards construction expenses. As of December 2017, the company had cash balance of around Rs. 14 crore.

Low leveraging level and management's intention to start new project after fresh round of equity funding – JIPL's total bank borrowings as on December 2017 was around Rs 12.3 crore. The company does not engage in speculative land banking for the upcoming projects. The management intends to tie up fresh equity before starting any new project which reduces the debt-funding requirements. However, this can result in delay in ramp-up in the company's scale of operations in case of any delay in completion of the equity fund raising as planned.

Credit challenges

Low profitability in projects intended for the lower income segment customers – The company develops budget houses for the urban poor. Most of the customers of JIPL belong to the economically-weaker segment, lower income group and lower middle class. The projects aimed at these target groups inherently have lower margins.

Low scale and moderately high level of overheads results in operating losses – JIPL has moderately high overheads as the company has not been able to reach the critical scale of operations as on date. Due to these factors, the profitability and cash flow from operation have been negative in the past. However, with the launch and sale of units in the Janaadhar Mangala project, the near-term profitability at the company level has improved.

Execution and market risk related to upcoming project – JIPL is planning to launch its latest project in Ranjangaon, near Pune. The project will be executed through joint development mode and will consist of 612 apartment units, market units and school. The company is planning to raise fresh equity and construction debt before starting the project.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Real Estate Entities](#)

About the company

JIPL, incorporated in 2007, is promoted by JUF. The company was formed for developing affordable housing projects with accessible housing finance. Following the additional equity fund raised from external investors in FY2015, JUF holds 53% stake as on date, with the other major shareholders being Tree Line Asia Master Fund (Singapore) Private Limited with 13% share and Sterling Developers with 12% share. The remaining shares are held by individuals – Mr. Narayan Ramachandran, Mr. Vikram Gandhi, Mr. Vallabh Bhansali, Mr. Badri Narayan Pulinja, and Sri Vatsa Krishna. It is an ISO 9001:2015 certified company with its key business processes and data maintained on an Enterprise Resource Planning system.

Till date, JIPL has completed one project – Phase 1 of its Janaadhar Shubha project – in the Attibelle-Anakel Road in South Bangalore, consisting of 480 1BHK apartments with a built-up area of 400 sq ft each. JIPL is at present constructing the Phase II of its Janaadhar Shubha project. The project consists of 648 2BHK apartments with a built-up area of around 650 sq ft each. The company has also taken up a mixed development project in GIFT City, Gujarat, consisting of 330 residential apartments, retail centres, healthcare centres, primary school and community centre.

Key financial indicators

	FY2016	FY2017
	Audited	Audited
Operating Income (Rs. crore)	18.61	25.51
PAT (Rs. crore)	0.42	-6.64
OPBDIT/OI (%)	-7.3%	-26.9%
RoCE (%)	2.5%	-11.0%
Total Debt/TNW (times)	0.49	0.85
Total Debt/OPBDIT (times)	-13.19	-3.49
Interest Coverage (times)	-1.71	-9.16
NWC/OI (%)	142.0%	141.1%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

**Rating history for last three years
Table**

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
					February 2018	September 2017	September 2016	-
1	NCD	Long Term	25.00	-	[ICRA]BBB-(Stable)	-	-	-
2	Term Loan	Long Term	15.00	12.30	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-
3	Unallocated	Long Term	15.00	0.00	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-

* as on December 2017

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	NCD	Proposed	10.7% / 13.5%	September 2021	25.00	[ICRA]BBB- (Stable)
-	Term loan	February 2017	10.7%	October 2019	15.00	
-	Unallocated	-	-	-	15.00	
	Total				55.00	

Source: the company

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