

August 03, 2022 ^(Revised)

Casagrاند Builder Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Proposed term loan	10.00	[ICRA]BBB+ (Stable); assigned
Long term – Unallocated limits	1100.00	[ICRA]BBB+ (Stable); assigned
Total	1110.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in Casagrاند Builder Private Limited's (CBPL's/Casagrاند Group's) established track record and strong market position in Chennai. The Group has completed around 16 million square feet (mn sft) of real estate projects in the past and has current ongoing projects covering around 11.4 mn sft of area as of March 31, 2022. Further, the Group's scale of operations is expected to witness sustained growth on the back of sales momentum in the ongoing projects as well as planned launches in FY2023. The rating considers the healthy booking velocity in the ongoing projects, wherein it has already sold 80% of the total area as of March 31, 2022. The rating also notes the healthy cash flow visibility from the pre-sales in its ongoing projects, with receivables from the sold area amounting to Rs. 1822 crore as on March 31, 2022, which covers 98% of the pending cost and debt outstanding.

The rating, however, is constrained by the market risk and execution risk in the recently launched large-size projects, given the significant inventory that will be released. CBPL's debt/net operating working capital ratio remained modest at 153% as on March 31, 2021, constraining its financial flexibility in case of any decline in sales and collections. ICRA notes that the Group has significant land acquisition plans in the near to medium term, which will be partially funded by debt, thereby keeping the leverage at moderate levels. However, the management intends to review their land acquisition plans in line with the market conditions. Any significant delay in project launches against the existing and planned land bank, or reduction in sales velocity in such launches could pressurise its leverage metrics. The Group is exposed to the inherent cyclicity in the residential real estate industry; However, the sales have been consistently improving over the years, driven by the favourable demand scenario for residential real estate

The Stable outlook reflects ICRA's opinion that the Group will continue to maintain healthy sales velocity in its ongoing and planned projects, backed by its established position in the Chennai real estate market.

Key rating drivers and their description

Credit strengths

Established track record of the Group in Chennai real estate market – The Casagrاند Group has an established track record and a strong brand name in the Chennai region. The company has presence in Bangalore and Coimbatore market. Further, it has a strong in-house project execution capability, as demonstrated through completion of around 16 mn sft of real estate projects in the past. Further, the Group is currently developing 11.4 mn sft of area across residential projects as on March 31, 2022, primarily in Chennai and Bangalore. The Group's scale of operations is expected to witness sustained growth on the back of the sales momentum in the ongoing projects as well as planned launches in FY2023.

Healthy sales bookings in ongoing projects – The company has sold 80% of the total area of its ongoing projects as on March 31, 2022. The Group has sold over 39.2 lakh sft of area in FY2022 and collected Rs. 2332 crore from its customers, backed by

the robust sales velocity across its projects. CBPL witnessed healthy bookings in five new projects which were launched in April-May 2022. It reported sales bookings of 62% of the area as of May 2022 from its launch in April-May 2022.

Cash flow visibility from pre-sales - The Group has receivables of Rs 1822 crore from the sold area as on March 31, 2022, which covers 98% of the pending cost and debt outstanding.

Credit challenges

Exposed to inherent cyclicity in real estate sector – The Group remains exposed to the inherent cyclicity in the real estate industry. However, the sales have been consistently improving over the years, driven by the favourable demand scenario in Chennai market.

High market risk and project execution risk in recently launched projects – CBPL has launched large-sized projects in the recent years, which exposes the Group to high market risk given the significant inventory that will be released. While the sales response has been encouraging, any decline in demand may adversely impact its cash flow position considering the large pending costs to be incurred on such projects.

Land investments expected to remain high in near term - The Group has significant land acquisition plans in the near to medium term which will be partly funded by debt, thereby keeping the leverage at moderate levels. Also, sustaining the high sales velocity remains the key. However, the management intends to review their land acquisition plans in line with the market conditions. Further, its debt/net operating working capital ratio remained modest at 153% as on March 31, 2021, constraining its financial flexibility available in case of any decline in sales and collection.

Liquidity position: Adequate

The company's liquidity remains adequate, supported by healthy sales and collections in the ongoing projects and the newly launched projects. The land acquisition is expected to be partly funded by debt. Further, the Group has unencumbered cash and bank balances of Rs. 188 crore as on March 31, 2022.

Rating sensitivities

Positive factor – ICRA could upgrade the company's rating in case of improved diversification in its business profile, healthy sales and collections in the ongoing and upcoming residential projects resulting in healthy net operating cashflows.

Negative factor – Downward pressure on the rating could emerge in case of subdued sales and /or collections or if any significant delay in completion in the ongoing residential projects weakens the company's liquidity position. Specific credit metrics that could lead to a rating downgrade include debt/FFO remaining above 3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of the company. List of entities forming part of CBPL's consolidated financials are enlisted in Annexure -II

About the company

The Casagrind Group was established in 2003 by Mr. Arun Mn, for developing apartments and villas in Chennai. M/s. Casagrind Builder Private Limited is the Group's flagship. Over the last 20 years, the Group has developed over 16 mn sft of

prime residential real estate across Chennai, Bengaluru and Coimbatore. Further, the company is planning to venture into warehousing and commercial real estate in the near term. At present, it is developing over 11 mn sft of projects across Chennai, Bangalore and Coimbatore and also planning to enter the Hyderabad market in the near term. All the Group companies and joint ventures/subsidiaries of CGPL are involved in the real estate business and develop residential properties under the brand name of Casagrاند.

Key financial indicators

CBPL (Consolidated)	FY2020	FY2021
Operating Income (Rs. crore)	1332.5	1081.6
PAT (Rs. crore)	86.8	49.2
OPBDIT/OI (%)	8.0%	7.0%
PAT/OI (%)	6.5%	4.5%
Total Outside Liabilities/Tangible Net Worth (times)	7.9	7.7
Total Debt/OPBDIT (times)	10.3	14.5
Interest Coverage (times)	9.1	5.9

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Annual reports, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of June 30, 2022 (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	
					Aug 03, 2022	FY2022	FY2021	FY2020
1	Proposed term loan	Long Term	10.0	-	[ICRA]BBB+ (Stable)	-	-	-
2	Unallocated limits	Long Term	1100.0	-	[ICRA]BBB+ (Stable)	-	-	-

&= Under watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Proposed term loan	Simple
Long term – 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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
-	Proposed term loan	-	-	-	10.0	[ICRA]BBB+ (Stable)
-	Long term – unallocated limits	-	-	-	1100.0	[ICRA]BBB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Casa Grande Civil Engg. Pvt Ltd	100%	Full Consolidation
Casa Grande Coimbatore LLP	90%	Full Consolidation
Casa Grande Garden City Builders Pvt Ltd	100%	Full Consolidation
Casa Grande Homes Pvt Ltd	100%	Full Consolidation
Casa Grande Shelter LLP	99%	Full Consolidation
Casa Grande Vallam LLP	99%	Full Consolidation
Casa Grande Smart Value Homes Pvt Ltd	100%	Full Consolidation
Casa Grande Zest Private Limited	100%	Full Consolidation
Casagrand Bizpark Private Limited	100%	Full Consolidation
Casagrand Spaceintell Private Limited	72%	Full Consolidation
Casagrand Fresh Private Limited	75%	Full Consolidation
Upstay Builder Private Limited	66%	Full Consolidation
Grace Gated Community LLP	99%	Full Consolidation
Casa Grande Grace Pvt Ltd	100%	Full Consolidation
Casa Grande Milestone Pvt Ltd	100%	Full Consolidation
Casagrand Staylogy Pvt Ltd	100%	Full Consolidation
Casagrand Vistas Pvt Ltd	100%	Full Consolidation
Casa Interior Studio Pvt Ltd	95%	Full Consolidation
Casa Grande Axiom Pvt Ltd	100%	Full Consolidation
Casagrand Horizons Pvt Ltd	100%	Full Consolidation
Gazy Mag Pvt Ltd	100%	Full Consolidation
Casagrand Millenia Private Limited	90%^	Full consolidation
Casagrand Aesthetics Pvt Ltd	100%	Full Consolidation
Casagrand Dream Home Pvt Ltd	100%	Full Consolidation
Casagrand Space Intel Pvt Ltd	100%	Full Consolidation
Casagrand Regale Pvt Ltd	100%	Full Consolidation
Casagrand Magick Ruffy Pvt Ltd	100%	Full Consolidation
Dawning Developers LLP	99%	Full Consolidation
Sky Magna LLP	99%	Full Consolidation
Casa Grande Enterprise LLP	99%	Full Consolidation
Danub Homes Pvt Ltd	99%	Full Consolidation
Casagrand Anchor Pvt Ltd	100%	Full Consolidation
Casagrand Zingo Pvt Ltd	100%	Full Consolidation
Casagrand Vivacity Pvt Ltd	100%	Full Consolidation
Casagrand Everta Pvt Ltd	100%	Full Consolidation
Casagrand Exotia Pvt Ltd	100%	Full Consolidation
Casagrand Vivaace Pvt Ltd	100%	Full Consolidation

Casagrand Hyderwise Pvt Ltd	100%	Full Consolidation
Casa Grande Realtors LLP	99%	Full Consolidation
Casa Grande Vishwavihar LLP	53%	Full Consolidation
Casagrand Magnum Private Limited	100%	Full Consolidation
Casagrand Stage7 Private Limited	100%	Full Consolidation
Casagrand Perch Builder Private Limited	100%	Full Consolidation
Casagrand Blue Horizon Private Limited	100%	Full Consolidation
Exotia Builder Private Limited	100%	Full Consolidation
Flock Builder Private Limited	100%	Full Consolidation
Casagrand Lotus Private Limited	100%	Full Consolidation
Casagrand Fitted Homes Private Limited	100%	Full Consolidation
Casagrand Beacon Private Limited	100%	Full Consolidation

Source: Company; As on July 21, 2022; ^held by promoter

Corrigendum

Rationale dated August 3, 2022 has been revised with changes as below:

- Revision in the applicable rating methodologies in the analytical approach section on page number 2.

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