

August 28, 2023

Candeur Constructions Private Limited: Rating assigned

Summary of rating action

| Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|---------------------|-------------------------------------|------------------------------|
| Proposed term loans | 400.0 | [ICRA]BB- (Stable); Assigned |
| Term loans | 200.0 | [ICRA]BB- (Stable); Assigned |
| Total | 600.0 | |

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Candeur Constructions Private Limited (CCPL) factors in the promoter's experience spanning more than 15 years in the residential real estate industry primarily in Bangalore. The Group has delivered around 4.0 million square feet (msf) of residential space over the last 15 years. CCPL is currently undertaking two big projects Candeur Lakescape and Candeur Skyline with a total saleable area of 47.4 msf in Hyderabad, Telangana. The rating considers the favourable location of the projects, close to financial district and IT business parks, which enhances the marketability.

The rating is, however, constrained by the high execution, market and funding risks associated with the projects. Both the projects were launched recently in Q4 FY2023 and are in the nascent stages of construction thereby exposing the company to high execution risk. The projects are proposed to be funded by Rs. 1,853.4 crore of customer advances, which are highly dependent on incremental sales and Rs. 800.0 crore term loans (of which Rs. 600.0 crore is yet to be tied), thereby exposing it to high market and funding risks. CCPL is also exposed to geographical concentration risk as the ongoing projects are 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 various established real estate developers.

The Stable outlook on [ICRA]BB- rating reflects ICRA's opinion that the company will benefit from the favourable location and experience of the promoter in the real estate industry.

Key rating drivers and their description

Credit strengths

Experience of promoters in real estate industry – CCPL is promoted and managed by Mr. Srikar Reddy and Mr. Srikanth Reddy. The promoters have experience spanning more than 15 years in the residential real estate industry primarily in Bangalore region. The Group has delivered around 4.0 msf of residential space over the last 15 years.

Favourable location of ongoing projects – CCPL is currently undertaking two big projects Candeur Lakescape and Candeur Skyline with a total saleable area of 47.4 msf in Hyderabad, Telangana. They are close to financial district and IT business parks, which enhances the marketability.

Credit challenges

Exposed to high execution, market and funding risks – Candeur Lakescape and Candeur Skyline projects are launched recently in Q4 FY2023 and are in the very nascent stages of construction thereby exposing the company to high execution risk. The projects are proposed to be funded by Rs. 1,853.4 crore of customer advances, which are highly dependent on incremental

sales and Rs. 800.0-crore term loans (of which Rs. 600.0 crore is yet to be tied), thereby exposing it to high market and funding risks.

Exposure to geographical concentration risk and cyclicity in real estate industry – CCPL is exposed to geographical concentration risk as the ongoing projects are limited to the Hyderabad market. The rating factors in the vulnerability of its sales to any downturn in the real estate demand and stiff competition within the region from various established real estate developers.

Liquidity position: Stretched

The liquidity profile remains stretched with high dependence on customer advances and proposed term loans for construction of the ongoing projects. The pending cost of Rs. 2,529.2 crore as on March 31, 2023, is expected to be funded by Rs. 384.6 crore of pending receivables from the sold area, term loans of Rs. 800 crore of which Rs. 600.0 crore is yet to be tied, equity infusion and the balance through incremental sales.

Rating sensitivities

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

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

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Rating Methodology – Real Estate |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | Standalone |

About the company

Candeur Constructions Private Limited was established in 2021 by Mr. Srikar Reddy and Mr. Srikanth Reddy. At present, the company is developing residential real estate projects named Candeur Lakescape and Candeur Skyline in Hyderabad, Telangana.

Candeur Lakescape consists of 1,993 two and three-BHK residential apartments and Candeur Skyline consists of 282 four-BHK residential apartments. The overall cost for both the projects is Rs. 3,015.7 crore and it is expected to be funded by Rs. 362.3 crore of promoter's contribution, Rs. 800.0 crore of term loans and Rs. 1,853.4 crore of customer advances.

Key financial indicators

Not applicable as the company's ongoing projects were recently launched in Q4 FY2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current rating (FY2024) | | Chronology of rating history for the past 3 years | | | |
|------------|---------------------|--------------------------|---|---|-------------------------|-------------------------|-------------------------|
| | | Amount rated (Rs. crore) | Amount outstanding as of Mar 31, 2023 (Rs. crore) | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 |
| | | | | August 28, 2023 | | | |
| 1 | Proposed term loans | Long term | 400.0 | * | [ICRA] BB-(Stable) | - | - |
| 2 | Term loans | Long term | 200.0 | 0.0 | [ICRA] BB-(Stable) | - | - |

*yet to be sanctioned

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---------------------|----------------------|
| Proposed term loans | Simple |
| Term loans | 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 | Proposed term loans* | NA | NA | NA | 400.0 | [ICRA] BB- (Stable) |
| NA | Term loans | August 2023 | NA | FY2029 | 200.0 | [ICRA] BB- (Stable) |

Source: Company, *Yet to be sanctioned

[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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Branches



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