

February 27, 2024

Keystone Realtors Limited: Rating reaffirmed; rated amount enhanced; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	500.00	1,000.00	[ICRA]A- (Positive); reaffirmed; outlook revised to Positive from Stable and assigned for enhanced amount
Issuer rating	-	-	[ICRA]A- (Positive); reaffirmed; outlook revised to Positive from Stable
Total	500.00	1,000.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook on the long-term rating to Positive factors in the expected improvement in the operating performance of Keystone Realtors Limited (KRL) in FY2024 and FY2025, supported by healthy end-user demand, good sales velocity and a strong launch pipeline. This is expected to result in healthy growth in sales and collections and the consequent improvement in cash flow from operations, while maintaining adequate leverage metrics.

KRL, on a consolidated basis, has reported bookings of Rs. 1423 crore and collections of Rs. 1533 crore (Including DM¹ project and Urbania which is a 51% JV entity) in 9M FY2024, an increase of 26% and 32%, respectively on a YoY basis. ICRA expects Pre-Sales to increase by around 25% to around Rs. 2000-2100 crore in FY2024 (PY: Rs. 1604 crore) and further grow by 22-25% in FY2025 supported by healthy sales and execution progress for the ongoing projects and a strong launch pipeline. ICRA expects collections to increase by 12% to around Rs. 1,800 crore² in FY2024 (FY2023: Rs. 1524³ crore) and further grow by around 40-42% in FY2025. KRL's Secured Debt was Rs. 897.6 crore in addition, unsecured Loan of Rs. 262.8 crore (majorly land Partner fund in the form of loan infused and subordinated to senior secured lender) and CF Loan in 51% JV entity i.e., Kapstone Construction Private Limited aggregating to Rs. 1293 crore as of December 2023 from Rs. 747.6 crore as of September 2023 on account of recent acquisition of a project located at Prabhadevi in Mumbai. ICRA expects the leverage, total debt/CFO, to be around 2.0-2.5 times as of March 2024 (PY: 4.1 times), supported by an improvement in the cash flow from operations. ICRA is given to understand that part of the funding can also be raised through an AIF, which has been formed exclusively to fund projects developed by KRL. Considering the large launch pipeline, KRL's debt is expected to further increase in FY2025, however, the total debt/CFO is likely to remain adequate at around 3.0 times. The rating continues to favourably factor in the strong operational track record and brand strength of the Rustomjee Group ('Group') in Mumbai Metropolitan Region (MMR) residential real estate market, underpinned by over 23 million square feet (msf) of deliveries till date and the strong saleability of the projects. The Group follows an asset light model by entering into joint development or re-development agreements to reduce its capital investments in land.

The rating, however, is constrained by the execution and market risks arising from the large expansion plans for maintaining the growth momentum and strengthening its market presence in the existing as well as new micromarkets in MMR. As on December 31, 2023, the Group had a future project pipeline of ~25+ msf, to be launched over the medium term. Timely launch

¹ DM Project represents projects where KRL is acting as a development manager

² Including collections from DM project-Crown post-acquisition of entire stake by KRL in November 2023.

³ Does not include collections from crown project as KRL was a development manager for this project till November 2023.

of these projects, along with healthy sales and construction progress, would be critical to support the cash flows. The funding risk for the company remains moderate as receivables from the sold area cover 42% of the balance costs and debt outstanding for ongoing projects as on September 30, 2023. The rating is constrained by the geographically concentrated portfolio with the Group's completed, ongoing as well as future projects being located in MMR. However, the sizeable contribution of MMR in Indian residential estate market and the Group's healthy share in MMR, given its presence across product segments and price points, partly mitigates the risk. The company remains exposed to the cyclicity in the residential real estate segment.

Key rating drivers and their description

Credit strengths

Expected improvement in operating performance in FY2024 and FY2025 – The Group has a well-recognised brand in MMR and enjoys a favourable market position in the catered micromarkets. On a consolidated basis the company reported sales bookings and collections of Rs. 1,423 crore and Rs 1,533 crore in 9MFY2024, an increase of 26% and 32%, respectively on a YoY basis. ICRA expects Pre-Sales to increase by 25% to around Rs. 2000-2100 crore in FY2024 (PY: Rs. 1604 crore) and further grow by 22-25% in FY2025 supported by healthy sales and execution progress for the ongoing projects, estimated good sales velocity for the upcoming projects and a strong launch pipeline. ICRA expects collections to increase by 12% to around Rs. 1,800 crore in FY2024 (FY2023: Rs. 1524 crore) and further grow by around 40-42% in FY2025. Across the ongoing projects, the company reported healthy sales and the portfolio level years-to-sell is around two years.

Adequate leverage position – While KRL's Secured Debt was Rs. 897.6 crore in addition, unsecured Loan of Rs. 262.8 crore (majorly land Partner fund in the form of loan infused and subordinated to senior secured lender) and CF Loan in 51% JV entity i.e., Kapstone Construction Private Limited aggregating to Rs. 1293 crore as of December 2023 from Rs. 747.6 crore as of September 2023 (after declining from Rs. 1155 crore as on March 2023) on account of recent acquisition of a project located at Prabhadevi in Mumbai. The total debt/CFO is expected to be around 2.0-2.5 times as of March 2024 (PY: 4.1 times) supported by an improvement in the cash flow from operations. ICRA is given to understand that part of the funding can also be raised through an AIF which has been formed exclusively to fund projects developed by KRL. Considering the large launch pipeline, KRL's debt (majorly construction finance) is expected to further increase in FY2025 due to high number of launches planned for upcoming fiscal year the total debt/CFO is likely to remain adequate at around 3.0 times.

Strong operational track record and brand strength in MMR – The Rustomjee Group has a strong execution track record, which includes development of luxury residential real estate, affordable housing, townships, shopping mall, schools and commercial spaces. Its execution track record is supported by the completed construction of over 23 msf area, under-construction projects comprising a saleable area of ~5 msf and forthcoming developments of 25+ msf in pipeline as on December 31, 2023. The Group follows an asset light model by entering into joint development or re-development agreements to reduce its capital investments in land.

Credit challenges

Exposure to execution and market risks due to large expansion plans of the Group – The Group has significant plans of expanding its ongoing portfolio to maintain the growth momentum and strengthen its market presence in the existing as well as new micromarkets in MMR. As on December 31, 2023, the pipeline for future project launches stood at 25+ msf, of which multiple projects are planned to be launched in FY2024 and FY2025 against the ongoing portfolio of ~5 msf. The sizeable new launches exposes KRL to execution and market risks. Timely launch, along with healthy sales and construction progress, would be critical to support the cash flows. The funding risk for the company remains moderate as receivables from the sold area cover 42% of the balance cost and debt outstanding for the ongoing projects as on September 30, 2023.

Geographically concentrated portfolio – The Group's completed, ongoing as well as future projects are located in MMR. However, the risk is partly mitigated by sizeable contribution of MMR in the Indian residential estate market and the Group's market share. Further, the Group's presence across product segments and price points further mitigates the risk.

Susceptibility to cyclicity in the real estate sector – Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which renders the company’s sales vulnerable to any downturn in demand.

Liquidity position: Adequate

As on December 31, 2023, the company has a cash and liquid balances of Rs. 430.7 crore (Including debt service reserve and FD lien marked towards BG of Rs. 53.4 crore). The company’s consolidated debt repayment for Q4 FY2024 and FY2025 is expected to be around Rs. 75 crore and Rs. 225 crore respectively, which is expected to be comfortably met through the cash flow from operations.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to demonstrate a significant increase in sales and collections resulting in sustained healthy growth in operating cash flows, while improving leverage levels.

Negative factors – The rating may be downgraded in case of subdued sales and collections adversely impacting the operating cash flows, significant delays in project execution and and/or significant increase in indebtedness resulting in Total debt/CFO of more than 4.0 times on a sustained basis.

Environmental and social risks

The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can affect its business operations. Impact of the changing environmental regulations on licences taken for property development could create credit risks. In terms of social risks, the trend post-pandemic has been favourable to residential real estate developers as demand for quality home with good social infrastructure has increased. Further, rapid urbanisation and a high proportion of workforce population (aged 25-44 years) will support long-term demand for the real estate sector in India.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of KRL along with its operational subsidiaries, JVs and associate entities on account of the strong business and financial linkages between these entities which are all enlisted in Annexure-II.

About the company

Established in 1996, Keystone Realtors Limited is a flagship entity of the Rustomjee Group. KRL was listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) on November 24, 2022. KRL and its subsidiaries undertake residential and mixed-use projects in Mumbai Metropolitan Region (MMR) under the Rustomjee brand. The Rustomjee Group has a strong execution track record, which includes development of luxury residential real estate, townships, affordable housing, shopping mall, schools and commercial spaces. Its execution track record is supported by the completed construction of over 23 msf area, under-construction projects comprising a saleable area of ~5 msf and forthcoming developments of 25+ msf in pipeline as on December 31, 2023.

Key financial indicators (audited)

KRL- Consolidated	FY2022	FY2023	9M FY2024*
Operating income	1,270.2	686.7	1,410.7
PAT	137.9	74.3	49.4
OPBDIT/OI	14.2%	15.8%	4.1%
PAT/OI	10.9%	10.8%	3.5%
Total outside liabilities/Tangible net worth (times)	3.0	1.7	-
Total debt/OPBDIT (times)	8.6	9.5	-
Interest coverage (times)	7.7	3.0	2.8

Source: Company, ICRA Research; *unaudited numbers; 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	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Feb 27, 2024	Feb 06, 2023	-	-
1 Term loans	Long-term	1000.00	740.75	[ICRA]A- (Positive)	[ICRA]A- (Stable)	-	-
2 Issuer rating	Long-term	-	-	[ICRA]A- (Positive)	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Issuer rating	NA

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-I	FY2022	NA	FY2025	4.10	[ICRA]A- (Positive)
NA	Term loan-II	FY2021	NA	FY2026	31.15	[ICRA]A- (Positive)
NA	Term loan-III*	FY2024	NA	FY2028	249.00	[ICRA]A- (Positive)
NA	Term loan-IV	FY2024	NA	FY2028	172.00	[ICRA]A- (Positive)
NA	Term loan-V	FY2024	NA	FY2028	84.00	[ICRA]A- (Positive)
NA	Term loan-VI	FY2024	NA	FY2028	112.28	[ICRA]A- (Positive)
NA	Term loan-VII	FY2024	NA	FY2028	56.14	[ICRA]A- (Positive)
NA	Term loan-VIII	FY2024	NA	FY2028	32.08	[ICRA]A- (Positive)
NA	Proposed term loan	-	NA	-	259.25	[ICRA]A- (Positive)
NA	Issuer rating	-	NA	-	-	[ICRA]A- (Positive)

Source: Company *Includes sublimit of Rs. 100 crore of OD/BG

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

Annexure II: List of entities considered for consolidated analysis

Company Name	KRL Ownership	Consolidation Approach
Keystone Realtors Limited		Full Consolidation
Crest Property Solutions Private Limited (Formerly known as Crest Property Solutions LP)	51%	Full Consolidation
Luceat Realtors Private Limited	58%	Full Consolidation
Nouveau Developers Private Limited	73%	Full Consolidation
Firestone Developers Private Limited	73%	Full Consolidation
Premium Build Tech LLP (Consolidated with Evershine Premium Buildtech Joint Venture)	75%	Full Consolidation
Mt K Kapital Private Limited	84%	Full Consolidation
Rustomjee Realty Private Limited	90%	Full Consolidation
Rebus Realtors L LP	100%	Full Consolidation
Kapstar Realty LLP	99%	Full Consolidation
Credence Property Developers Private Limited	100%	Full Consolidation
Xcellent Realty Private Limited	100%	Full Consolidation
Imperial Infradevelopers Private Limited	100%	Full Consolidation
Intact Builders Private Limited	100%	Full Consolidation
Dynasty Infrabuilders Private Limited	100%	Full Consolidation
Amaze Builders Private Limited	100%	Full Consolidation
Keystone Infrastructure Private Limited	100%	Full Consolidation
Kingmaker Developers Private Limited	100%	Full Consolidation
Navabhyudaya Nagar Development Private Limited	100%	Full Consolidation
Enticier Realtors Private Limited	100%	Full Consolidation
Key Galaxy Realtors Private Limited	100%	Full Consolidation
Keyblue Realtors Private Limited	100%	Full Consolidation

Company Name	KRL Ownership	Consolidation Approach
Keyheights Realtors Private Limited	100%	Full Consolidation
Key Interiors Realtors Private Limited	100%	Full Consolidation
Flagranti Realtors Private Limited	100%	Full Consolidation
Keyspace Realtors private Limited	100%	Full Consolidation
Keysky Realtors Private Limited	100%	Full Consolidation
Ferrum Realtors Private Limited	100%	Full Consolidation
Riverstone Educational Academy Private Limited	100%	Full Consolidation
Keybloom Realty Private Limited (Formerly known as Bloom Farmtech Private Limited)	100%	Full Consolidation
Keyorbit Realtors Private Limited	100%	Full Consolidation
Keyvihar Realtors Private Limited	100%	Full Consolidation
Keysteps Realtors Private Limited	100%	Full Consolidation
KeyGreen Realtors Private Limited	100%	Full Consolidation
Mirabile Realtors Private Limited	100%	Full Consolidation
KeyMeadow Realtors Private Limited	100%	Full Consolidation
KeyAce Realtors Private Limited	100%	Full Consolidation
KeyMajestic Realtors Private Limited	100%	Full Consolidation
KeyMarvel Realtors Private Limited	100%	Full Consolidation
Keymont Realtors Private Limited	51%	Full Consolidation
Rustomjee Seaview Realtors Private Limited	100%	Full Consolidation
Oceanhomes Realtors Private Limited	100%	Full Consolidation
Real Gem Buildtech Private Limited	100%	Full Consolidation
Krishika Developers Private Limited	33.5%	Equity Method
Megacorp Constructions LLP	50%	Equity Method
Kapstone Constructions Private Limited	51%	Full Consolidation
Jyotirling Constructions Private Limited	50%	Equity Method
Toccata Realtors Private Limited (upto June 15, 2023)	100%	Full Consolidation
Lok Fortune Joint Venture	45%	Equity Method
Fortune Partners	75%	Full Consolidation
Rustomjee Evershine Joint Venture	50%	Equity Method

Source: Company; Q3FY2024 Financials

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Branches



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