

September 23, 2024

Rajapushpa Infra Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	350.00	[ICRA]BBB+ (Stable) assigned
Total	350.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Rajapushpa Infra Private Limited (RIPL) factors in the healthy sales velocity and collections in the Pristinia project since its launch in April 2023, which is expected to sustain in the medium term. During April 2023 to May 2024, the company sold 41% of area in the Pristinia project (developer share of 3.23 million square feet (msf)) with a sales value of Rs. 1,137 crore and collections of Rs. 528 crore. Backed by its favourable location in Kokapet, Hyderabad, the project is expected to witness healthy sales and collections in FY2025 and FY2026. The cash flow from operations (CFO) is expected to turn positive in FY2026 with healthy collections leading to lower leverage in the form of total external debt/CFO <1 times.

Further, ICRA expects Rajapushpa Properties Private Limited (RPPL, rated at [ICRA]A-(Stable)) to provide timely financial support to RIPL, for any funding shortfall, given common promoters and to protect RPPL/Rajapushpa Group's reputation from the consequences of a subsidiary's distress. The rating draws comfort from the Rajapushpa Group's established track record and demonstrated execution capabilities. The Group has delivered more than ~14 million square feet (msf) of area in last 15 years. Currently the group is developing 25.0 msf (developer share – 19.6 msf) of residential and 3.6 msf (developer share – 3.14 msf) of commercial spaces in Hyderabad.

The rating is, however, constrained by RIPL's exposure to execution risk as only 27% of project cost was incurred as of May 31, 2024, and moderate market risk for the ongoing residential project – Pristinia. The cash flow adequacy ratio as measured receivables/(pending construction cost + debt outstanding) stood moderate at 44% as of May 2024. Timely sales of the remaining units will be critical as the remaining project cost is expected to be partly funded by customer advances. However, comfort can be drawn from the Rajapushpa Group's track record in residential real estate in Hyderabad which mitigates the risk to an extent. 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 various established real-estate developers.

The Stable outlook on RIPL rating reflects ICRA's opinion that the company will benefit from the expected healthy sales velocity backed by favourable location, which, along with adequate construction progress is likely to lead to healthy collections while maintaining low leverage.

Key rating drivers and their description

Credit strengths

Established track record of the Rajapushpa group in Hyderabad real estate market – Rajapushpa group has established track record and demonstrated execution capabilities of developing more than ~14 msf of area in last 15 years in Hyderabad with good reputation for quality and timely completion. Currently the group is developing 25.0 msf (developer share – 19.6 msf) of residential and 3.6 msf (developer share – 3.14 msf) of commercial space in Hyderabad.

Favourable location of the project leading to healthy sales velocity – The ongoing project – Pristinia has witnessed healthy sales velocity and collections since the project was launched in April 2023, which is expected to sustain in the medium term.

During April 2023 to May 2024, the company sold 41% of area in the Pristinia project (developer share of 3.23 million square feet (msf)) with a sales value of Rs. 1,137 crore and collections of Rs. 528 crore. Backed by its favourable location in Kokapet, Hyderabad, the project is expected to witness healthy sales and collections in FY2025 and FY2026. The cash flow from operations (CFO) is expected to turn positive in FY2026 with healthy collections leading to lower leverage in the form of total external Debt/CFO <1 times.

Strong financial flexibility being part of Rajapushpa Group – Rajapushpa Properties Private Limited (RPPL, rated [ICRA]A-(Stable)) holds 51% in RIPL. Given the common promoters and management, engaged in the same businesses which are strategically aligned and have strong operational and financial linkages, RPPL is expected to provide financial support to RIPL to protect its reputation from the consequences of a subsidiary’s distress. Further, RPPL has provided corporate guarantee to the loan availed by RIPL.

Credit challenges

Exposure to execution and moderate market risk for ongoing residential Project - RIPL is exposed to execution risk as only 27% of project cost was incurred as of May 31, 2024, and moderate market risk for the ongoing residential project – Pristinia. The cash flow adequacy ratio as measured receivables/ (pending construction cost + debt outstanding) stood moderate at 44% as of May 2024. Timely sales of the remaining units will be critical as the remaining project cost is expected to be partly funded by customer advances. However, comfort can be drawn from the Rajapushpa Group’s track record in residential real estate in Hyderabad, which mitigates the risk to an extent.

Cyclicality inherent in real estate sector and geographical concentration risk – Being a cyclical industry, the real estate business is highly dependent on macroeconomic factors, which exposes its sales to any downturn in real estate demand. In addition, RIPL is mainly concentrated in the Hyderabad real estate market, which exposes it to geographical concentration risk.

Liquidity position: Adequate

RIPL’s liquidity is adequate, with unencumbered cash and bank balances of Rs. 42 crore as of March 31, 2024. While the company does not have any principal repayment obligations in FY2025, the interest obligations will be supported by parent, RPPL/cash balances of RIPL.

Rating sensitivities

Positive factors – The rating may be revised if there is a significant increase in sales and collections, resulting in an improvement in cash flows from operations, while maintaining low leverage and healthy liquidity on a sustained basis.

Negative factors –The rating may be downgraded in case of subdued sales or collections adversely impacting the cash flow from operations and debt protection metrics on a sustained basis. Also, rating might be downgraded in case of weakening of linkages with RPPL, or if there is a deterioration in the credit profile of RPPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	The rating considers support from parent RPPL, which holds 51% of RIPL’s shareholding with remaining held by the common promoters of RPPL. Given the strong operational and financial linkages, and common treasury, RPPL is expected to provide financial support to WEPL to protect its reputation from the consequences of a subsidiary’s distress. Further, RPPL has provided corporate guarantee to the loan availed by RIPL.

Consolidation/Standalone

Standalone

About the company

RIPL is a 51% subsidiary of RPPL and 49% is held by promoters of RPPL. The company was incorporated in December 2011 and is involved in developing residential and commercial properties in and around Hyderabad. At present, it is developing a residential property Pristinia with a developer share of 3.23 msf in Kokapet, Hyderabad.

Key financial indicators

Not meaningful till FY2024 as project was launched in FY2024.

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)	Sep 23, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	350.00	[ICRA]BBB+(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	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	Term Loans	FY2024	NA	FY2029	350.00	[ICRA]BBB+(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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