February 28, 2025

Casagrand Premier Builder Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	1085.00	1085.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Cash Credit	25.00	25.00	[ICRA]BBB+ (Stable); reaffirmed
Total	**1110.00**	**1110.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for Casagrand Premier Builder Limited (CPBL/Group) factors in the healthy sales momentum of the company's ongoing projects and new launches which is expected to further improve in FY2025-2026, supported by healthy demand and affordability. The company has reported healthy sales performance in FY2024 and H1FY2025 wherein it sold around 7.6 million (msf) (12% YoY) and 6.6 msf (85% YoY) of saleable area respectively. The pre-sales (in terms of value) stood healthy in FY2024 and H1 FY2025 at Rs. 5,109 crore (19% YoY) and Rs. 4278.1 crore (80% YoY) respectively. Consequently, the collection is projected to improve to Rs. 5,000.0 – 5,200.0 crore in FY2025 (PY: Rs. 3,342.5 crore) and further improve to Rs. 6,200.0-6,400.0 crore in FY2026 supported by healthy committed sales for the ongoing projects and healthy pipeline of upcoming projects. Its adequacy ratio (committed receivables/pending cost + debt outstanding) stood adequate at 61% as of September 2024, reflecting sufficient cash flow visibility from the pre-sales and low funding risk. The rating also draws comfort from CPBL's established track record of over two decades in the residential real estate sector and strong market position in Chennai.

The rating is, however, constrained by the significant rise in debt levels (46% YoY to Rs 3,626 crore in March 2024) to fund land acquisitions and towards execution of residential and commercial projects. Consequently, despite healthy collections and cash flow from operations (CFO) in FY2024, the external debt/CFO remained elevated at 3.4 times as on March 31, 2024 (PY: 3.4 times). Moreover, with substantial investments towards debt-funded land acquisition, the debt/net working capital (debt/NWC) remained high. CPBL is expected to maintain healthy sales momentum in the near term, which should result in improved cash flows. ICRA expects debt/CFO to remain below 3.0 times by FY2025. ICRA notes that company is planning to raise substantial funds through issuance of fresh equity via IPO (SEBI approval for the Draft Red Herring Prospectus is received in January 2025), which if materialises, will result in improved leverage metrics and will be a credit positive. Its ability to materially improve its leverage metrics and reduce its dependence on high cost debt to fund its working capital remains a key monitorable going forward.

ICRA notes that the debt availed for land acquisitions typically has a door-to-door tenor 2.5 – 4 years with a bullet repayment at the end of tenure thereby providing adequate cushion as the average time taken to launch a project post land acquisition stood low at 1.0-1.5 years for the projects launched in H1FY2025. However, any considerable delay in project launches against the existing and planned land bank, or reduction in sales velocity in such launches could exert pressure on its leverage metrics and exposes the company to refinancing risk.

The credit profile remains exposed to execution risk in the ongoing residential projects, wherein it is yet to incur around 46% of the total project cost as of September 2024. Further, around 42% of the total launched area in the ongoing residential projects is yet to be sold, exposing it to market risk. The company's operations are highly concentrated in Chennai and its nearby region. Nevertheless, it plans to foray into other markets like Bangalore, Hyderabad and Pune market over the medium term. CPBL has a healthy launch pipeline of 15 – 19 msf of residential projects over FY2025-FY2026, which is exposed to execution risk as well as market risk, given the size of inventory that will be released. Nevertheless, the company's track record in the residential real estate segment mitigates these risks to an extent. Further, the company has a healthy project launch pipeline of 10 msf of leasable area in commercial / warehousing segment over the medium term, wherein it is exposed to execution and market risk towards its ongoing and upcoming commercial as well as warehousing projects.

The Stable outlook reflects ICRA's opinion that the Group will maintain healthy sales velocity as well as collections in its ongoing and planned projects, backed by its established position and strong brand recall 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 Casagrand Group has an established track record of over two decades and a strong brand name in the Chennai region with some presence in Bengaluru, Hyderabad and Coimbatore. It has a strong in-house project execution capability, as demonstrated through completion of 26 msf of residential real estate projects. It has ongoing projects with a saleable area of around 30.1 msf as on September 30, 2024. As a result, the scale of operations is expected to witness healthy growth in the near to medium term. Also, the company has entered the commercial real estate market, acquiring a 0.6 msf leasable area of office space in Chennai in FY2023. It is developing additional projects totalling 0.6 msf in Chennai and Coimbatore, with plans for 2.7 msf in the medium term. Additionally, the Group has upcoming plans of construction and development of warehouses to the tune of 6-7 msf of leasable area in Chennai and Bengaluru over the medium term.

Expected healthy sales performance during FY2025 and FY2026– Backed by strong sales demand, the Group sold 7.6 msf (12% YoY) of saleable area in FY2024 and reported healthy pre-sales (in terms of value) of Rs. 5109 crore (19% YoY). The Group's sales performance continued to be healthy in H1FY2025, wherein it sold around 6.6 msf (85% YoY) of saleable area and reported pre-sales of Rs. 4278.1 crore (80% YoY). Consequently, the company's collection is expected to improve to Rs. 5000.0 - 5200.0 crore in FY2025 (PY: Rs. 3342.5 crore) and further improve to Rs. 6200.0-6400.0 crore in FY2026 supported by healthy committed sales for the ongoing projects and favourable pipeline of upcoming projects.

Adequate cash flow visibility from pre-sales – The company's adequacy ratio (committed receivables/pending cost + debt outstanding) stood at 61% as of September 2024, reflecting sufficient cash flow visibility from the pre-sales and low funding risk. The healthy sales momentum is expected to continue in the near to medium term backed by strong brand recall and established market position.

Credit challenges

Increase in debt levels leading to high leverage levels – The company's debt levels increased significantly by 46% YoY to Rs. 3626 crore in March 2024 to fund land acquisitions and towards execution of residential and commercial projects. Consequently, despite healthy collections and CFO in FY2024, the external debt/CFO stood elevated at 3.4 times as of March 31, 2024 (PY: 3.4 times). Moreover, with substantial investments towards debt-funded land acquisition, the debt/NWC remained high. CPBL is expected to maintain healthy sales momentum in the near term, which should result in improved cash flows. ICRA expects the debt/CFO to remain below 3.0 times by FY2025. The debt availed for land purchases typically has a door-to-door tenor 2.5 – 4 years with a bullet repayment at the end of tenure thereby providing adequate cushion as the average time taken to launch a project post land acquisition is low at 1.0-1.5 years for the projects launched in H1FY2025. However, any considerable delay in project launches against the existing and planned land bank, or reduction in sales velocity in such launches could exert pressure on its leverage metrics and exposes the company to refinance risk.

Exposure to execution and market risks – The company is yet to incur around 46% of the total project cost as of September 2024 towards its ongoing residential projects, exposing it to execution risk. Further, around 42% of the total launched area in the ongoing residential projects is yet to be sold, exposing it to market risk. CPBL also has a healthy launch pipeline of 15 – 19 msf of residential projects over the FY2025-FY2026, which is exposed to execution risk as well as market risk, given the size of inventory that will be released. Further, the company has a healthy project launch pipeline of 10 msf of leasable area in commercial / warehousing over the medium term wherein it is exposed to execution and market risk towards its ongoing and upcoming commercial and warehousing projects. Nevertheless, the company's track record in the residential real estate segment mitigates these risks to an extent.

Vulnerability to cyclicality in real estate sector – The company remains vulnerable to the inherent risks of the real estate sector, such as susceptibility to declining property prices, a slowdown in economy and reduction in housing demand. CPBL's operations are highly concentrated in Chennai and its nearby region. However, it plans to foray into other markets like Bangalore, Hyderabad and Pune market over the medium term.

Liquidity position: Adequate

The Group's liquidity remains adequate, supported by healthy sales and collections in the ongoing and recently launched projects. The Group has cash and bank balance of Rs. 402.3 crore as on March 31, 2024 and is likely to maintain liquidity at similar levels going forward. Also, the land acquisition and capital expenditure expected in FY2025 and FY2026 are likely to be primarily financed through debt.

Rating sensitivities

Positive factors – 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 cash flows. Additionally, improvement in Debt/NWC and debt profile through reduction of high-cost debt on a sustained basis will be a positive factor.

Negative factors – Downward pressure on the rating could emerge in case of subdued sales or collections, or if any significant delay in completion in the ongoing residential projects weakens the debt protection metrics and liquidity position. Specific credit metrics that could lead to a rating downgrade include debt/CFO remaining above 3.0 times on a sustained basis.

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 ratings, 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 Casagrand Group was established in 2003 by Mr. Arun M N, for developing apartments and villas in Chennai. M/s, Casagrand Premier Builder Limited (CPBL) is the flagship entity of the Group. Over the last 20 years, the Group has developed over 26 msf of prime residential real estate across Chennai, Bengaluru and Coimbatore. At present, it is developing over 30.0 msf of area through projects across Chennai, Bengaluru and Coimbatore. All the Group companies and joint ventures/subsidiaries of CPBL are involved in the real estate business under the brand name of Casagrand. The Group has recently ventured into commercial real estate segment in Chennai and Coimbatore and further plans to foray into warehousing segment in Chennai in the near to medium term.

Key financial indicators (audited)

CPBL (consolidated)	FY2023	FY2024
Operating income	2494.5	2631.2
PAT	226.1	256.9
OPBDIT/OI	13.3%	13.7%
PAT/OI	9.1%	9.8%
Total outside liabilities/Tangible net worth (times)	15.4	13.0
Total debt/OPBDIT (times)	7.5	10.2
Interest coverage (times)	15.3	11.1

Source: Company, ICRA Research; 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

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 28, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term Fund-based – Term loan	Long term	1085.0	[ICRA]BBB+ (Stable)	Nov-29-23	[ICRA]BBB+ (Stable)	-	-	-	-
Long-term – Fund-based – Cash credit	Long term	25.0	[ICRA]BBB+ (Stable)	Nov-29-23	[ICRA]BBB+ (Stable)	-	-	-	-
Proposed term loan	Long term	-	-	-	-	Aug-03-22	[ICRA]BBB+ (Stable)	-	-
Unallocated limits	Long term	-	-	-	-	Aug-03-22	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long term – Fund-based – Cash credit	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
-	**Term loans**	FY2022-H1FY2025	NA	FY2025 - FY2028	1085.0	[ICRA]BBB+ (Stable)
-	**Cash credit**	NA	NA	NA	25.0	[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

Company Name	Ownership as of March 2024	Approach
Casa Grande Coimbatore LLP*	0%	Full consolidation
Casa Grande Vallam LLP^	0%	Full consolidation
Casa Grande Enterprises LLP	99%	Full consolidation
Casa Grande Sheltors LLP^	0%	Full consolidation
Casa Grande Realtors LLP^	0%	Full consolidation
Casa Grande Homes Private Limited	100%	Full consolidation
Casa Grande Milestone Private Limited	100%	Full consolidation
Casa Grande Garden City Builders Private Limited	100%	Full consolidation
Casagrand Perch Builder Private Limited	100%	Full consolidation
Casa Grande Smart Value Homes Private Limited	100%	Full consolidation
Casa Grande Grace Private Limited	100%	Full consolidation
Casagrand Lotus Private Limited	100%	Full consolidation
Gazy Mag Private Limited	100%	Full consolidation
Casa Grande Axiom Private Limited	100%	Full consolidation
Casagrand Astute Private Limited	100%	Full consolidation
Casa Grande Zest Private Limited	100%	Full consolidation
Grace Gated Community LLP	99%	Full consolidation
Casa Grande Civil Engineering Private Limited	100%	Full consolidation
Dawning Developers LLP	99%	Full consolidation
Casagrand Vistaaz Private Limited	100%	Full consolidation
Casagrand Magick Rufy Private Limited	100%	Full consolidation
Casagrand Horizons Private Limited	100%	Full consolidation
Casagrand Regale Private Limited	100%	Full consolidation
Casagrand Alphine Private Limited	100%	Full consolidation
Danub Homes Private Limited	100%	Full consolidation
Casagrand Anchor Private Limited	100%	Full consolidation
Casagrand Zingo Private Limited	100%	Full consolidation
Casagrand Vivaace Private Limited	100%	Full consolidation
Casagrand Everta Private Limited	100%	Full consolidation
Casagrand Exotia Private Limited	100%	Full consolidation
Casagrand Hyderwise Private Limited	100%	Full consolidation
Casagrand Aesthetic Private Limited	90%	Full consolidation
Casagrand Vivacity Private Limited	100%	Full consolidation
Casagrand Fresh Private Limited	100%	Full consolidation
Casagrand Blue Horizon Private Limited	72%	Full consolidation
Exotia Builder Private Limited	100%	Full consolidation
Casagrand Stage 7 Private Limited	100%	Full consolidation
Flock Builder Private Limited	100%	Full consolidation
Casagrand Fittedhomes Private Limited	100%	Full consolidation
Casagrand Magnum Private Limited	100%	Full consolidation
Casagrand Beacon Private Limited	100%	Full consolidation

Company Name	Ownership as of March 2024	Approach
Casagrand Bizpark Private Limited	100%	Full consolidation
Casagrand Millenia Private Limited	100%	Full consolidation
Casagrand Spaceintell Private Limited	72%	Full consolidation
Casagrand Staylogy Private Limited	100%	Full consolidation
Upstay Builder Private Limited	66%	Full consolidation
Headway Ace Induspark Private Limited	72%	Full consolidation
Casagrand Contracts Private Limited	100%	Full consolidation
Casagrand Gallantee Real Estate LLC	100%	Full consolidation
Casagrand Covaan Private Limited	100%	Full consolidation
Casagrand Urbano Private Limited	100%	Full consolidation
Casagrand Avalon Private Limited	100%	Full consolidation
CGD Industrial Parks Private Limited	72%	Full consolidation
Headway Premier Induspark Private Limited	72%	Full consolidation
Vision Premier Induspark Private Limited	72%	Full consolidation
Beacon Premier Induspark Private Limited	72%	Full consolidation
Casa Grande Sheltor Private Limited	99%	Full consolidation
Casa Grande Vallam Private Limited	99%	Full consolidation
Casa Grande Realtors Private Limited	100%	Full consolidation

**Casa Grande Coimbatore LLP divested w.e.f March 30, 2024. ^In FY2024, Casa Grande Vallam LLP, Casa Grande Shelter LLP and Casa Grande Realtors LLP got converted into Private Limited company. Source: Company.*

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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