

January 30, 2017

Rajapushpa Properties Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Cash Credit	15.00	Upgraded to [ICRA]BB+ (Stable) from [ICRA]BB (Stable)
Term Loan	70.00	Upgraded to [ICRA]BB+ (Stable) from [ICRA]BB (Stable)
Total	85.00	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has upgraded the long-term rating assigned to Rs.15.00 crore cash credit and Rs.70.00 crore¹ term loan facilities of Rajapushpa Properties Private Limited (RPPL)[†] to [ICRA]BB+ (pronounced ICRA double B plus) from [ICRA]BB (pronounced ICRA double B). The outlook on the long term rating is stable.

Rationale

The rating upgrade factors in the healthy bookings for Rajapushpa Atria at 52% as on December 31, 2016 which improved from 21% as on March 31, 2015; the sales velocity for the project stood at 17 units per month during 9m FY2017. Post demonetization, although the bookings reduced in November, 2016 to 10, it continued to remain healthy and there has been marginal improvement during December, 2016 to 12. The rating also considers healthy progress in construction of the Atria Project as the company has already incurred Rs.305.26 crore (64.25%) of the total cost and is in line with construction schedule. ICRA notes that the company has launched two new projects during current financial year– Summit (commercial project, 0.5 million sft) & Greendale (residential villa project, 1.2 million sft) with a total project cost of Rs.395.06 crore which is proposed to be funded through Rs.47.50 crore of promoters contribution, Rs.125.00 crore of debt and Rs.222.56 crore of customer advances and the financial closure for the same has been achieved. RPPL's projects including recently launched – Summit & Greendale have location advantage, being close to the financial district, Gachibowli – the IT hub of Hyderabad. The rating favorably factors in RPPL's established brand in the Hyderabad real estate market. Although the company is exposed to high market risk with 49% of inventory in Atria project to be sold, the committed receivables from current bookings would be sufficient to cover the pending project cost. Further, the cash flows are expected to remain comfortable even at depressed sales velocity.

The rating is however constrained by the nascent stages of construction of Summit (Commercial) and Greendale (Villa) with high market risk given 84% of the bookings are yet to happen in Greendale project and Summit Project is yet to be launched. The rating also continues to be constrained by the company's concentration in the Hyderabad residential and commercial market and exposure to cyclical nature inherent to the real estate sector.

Key rating drivers

Credit Strengths

- More than 12 years of track record with reputation for quality and timely delivery in Hyderabad real estate market and has developed close to 2.32 million sft till date
- Improvement in sales to 52% of the available units and collection to sales to 69% resulting in healthy customer advances
- Improvement in construction schedule for the Atria Project as the company has already incurred Rs.305.26 crore (64.25%) of the total cost and is in line with construction schedule
- Location advantage along with good market response for Atria and Greendale Projects

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Credit Weakness

- High portion (48.92% of total units as on Nov 30, 2016) of Atria and (84% of the total units as on Nov 30, 2016) of Greendale Project are yet to be sold, thereby exposing RPPL to market risk. However, the committed receivables from current bookings would be sufficient to cover the pending project cost for Atria. Further, the cash flows are expected to remain comfortable even at depressed sales velocity.
- High execution risk with Greendale Project (Rs.268.87 cr) and Summit Project (Rs.126.19 cr) in nascent stages of construction.
- The company is exposed to the risk of slowdown in demand, falling property prices and sluggishness in the real-estate sector in Hyderabad

Description of key rating drivers highlighted above:

Rajapushpa Properties Private Limited was founded in the year 2006 by Mr.Jayachandra and has established itself as one of the leading real estate developer in Hyderabad market with more than 12 years of presence mainly in residential segment and having developed more than 9 projects encompassing ~ 1.29 million square feet (msft) of constructed area.

As on November 30th, 2016, the company had one residential project under execution encompassing ~2.35 million sft of total saleable area, out of which 2.01 million sft belongs to the company's share; of which a large part is expected to be delivered over the next 9-12 months. It has already sold about 1.21 m sft of its total SBA (Salable Area), translating to a moderate booking position of 52% for its ongoing projects. With the current booking position, committed cash flows covers ~74% of the balance construction cost.

RPPL has a significant land bank to support the growth momentum in the medium term and significant portion of these are in prime locations and has been acquired at relatively lower costs, it enhances the inherent profitability of the projects and competitiveness. The company's entire land bank portfolio is in Hyderabad, resulting in high geographical concentration.

The company plans to launch two upcoming projects with a total saleable area of ~0.09 m sq. ft, for which the total project cost would be around Rs. 395.06 crore. Considering the fact that these projects are currently under primary stages, the execution and market risk for the same remains high.

Going forward, ability of the company to tie-up sales in a timely manner, maintain high collection efficiency, timely execution of the ongoing projects with no time and cost over runs are the key rating sensitivities.

Analytical approach:

<http://www.icra.in/Files/Articles/Real%20Estate%20Methodology.pdf>

About the Company:

Rajapushpa Properties Private Limited (RPPL) was established as a Partnership firm in the year 2006 and then converted into a Private Limited Company during the Year 2009. The company is involved in development of residential and commercial projects in Hyderabad. It has completed residential real estate projects named Silicon Ridge, The Retreat, Open Skies ,Cannon Dales (all based in Hyderabad) and currently developing a residential real estate project Atria in Kokapet, Hyderabad with total build up area of 2.35 million sft and is in process of launching 1 residential and 1 commercial project by March, 2017.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 2 years	
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month- year & Rating in FY2016	Month- year & Rating in FY2014
				January 2017	September 2015	December 2013
1	Cash Credit	Long Term	15.00	[ICRA]BB+ (Stable)	[ICRA]BB(Stable)	[ICRA]BB(Stable)
2	Term Loans	Long Term	70.00	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	NA
3	Unallocated	Long Term	0.00	-	[ICRA]BB(Stable)	[ICRA]BB(Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	15.00	[ICRA]BB+ (Stable)
Term Loan	May, 2016	-	February 2020	70.00	[ICRA]BB+ (Stable)

Source: Rajapushpa Properties Private Limited

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