

October 04, 2017

Janaadhar (India) Private Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based – Term Loan	15.0	[ICRA]BBB- (Stable); Reaffirmed
Unallocated	15.0	[ICRA]BBB- (Stable); Reaffirmed
Total	30.0	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating assigned to the Rs. 30.0-crore¹ fund based facilities of Janaadhar (India) Private Limited (JIPL / the company) at [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the long-term rating is ‘stable’.

Rationale

The rating reaffirmation takes into account the profile of the company’s promoters and investors, its healthy capitalization ratio and comfortable liquidity position. The rating factors in the intent of the management to fund any land acquisition or new project development with fresh round of equity. The rating draws comfort from the attractive pricing of the projects and low ticket size in its projects, which has translated into good sales velocity in its ongoing Janaadhar Shubha Phase II project.

The rating is, however, constrained by the low profitability margin that is inherent in the projects targeted at the lower income segment. The company’s profitability is further limited by the low-scale of operations and moderately high overheads, which has resulted in operating losses and funding deficits in recent years. The sales velocity in the Janaadhar Mangala project in GIFT City, Gujarat, has been weaker than expected, barring certain bulk sales, which has resulted in increased market risk. The rating takes into account the execution and market risk related to the development of the planned project in Ranjangaon, near Pune.

Going forward, the ability to raise equity funds as planned, maintain high sales velocity across projects, collect customer advances and complete the ongoing projects in time will be the key rating sensitivities.

Key rating drivers

Credit strengths

- **Strong promoter profile** – JIPL is promoted by the Jana Urban Foundation (JUF) which works in various segments such as financial inclusion, housing and infrastructure that is targeted at the urban poor. JUF is promoted by Mr Ramesh Ramanathan, who is also the chairman of Janalakshmi Financial Services Limited (rated [ICRA]A with negative outlook).
- **Attractive pricing of the project increases market prospect** – The demand for the apartment units developed by JIPL has been driven by the attractive pricing. The ticket price in Janaadhar Shubha is around Rs 18 lakhs per unit while the ticket price in the Janaadhar Mangala project in GIFT city, Gujarat is around Rs 9 lakh per unit.
- **Maintenance of sufficient liquidity at company level** – The company has sufficient liquidity in terms of cash balances and undrawn sanctioned term loans which can be utilised towards construction expenses. As on March 2017, the company had a cash balance of around Rs 16 crore. The company also had sanctioned undrawn debt facilities of around Rs 7 crore as on July 2017.

¹ 100 lakh = 1 crore = 10 million

- **Low leveraging level and management's intent to start new project after fresh round of equity funding** – JIPL's total bank borrowings as on July 2017 was around Rs 11.2 crore. The company does not engage in speculative land banking for the upcoming projects. The management intends to tie up fresh equity before starting any new project which reduces the debt funding requirements. However, this can result in delay in ramp-up in the company's scale of operations in case of any delay in completion of the equity fund raising as planned.

Credit weaknesses

- **Low profitability in projects intended for the lower income segment customers** – The company develops budget houses for the requirements of the urban poor. Most of the customers of JIPL belong to the economically weaker segment, lower income group and lower middle class. The projects aimed at these target groups inherently have lower margins.
- **Low scale and high level of overheads has resulted in operating losses** – JIPL has high overheads as the company has not been able to reach the critical scale of operations as on date. Due to these factors, the profitability and cash flow from operation has been negative.
- **Modest sales velocity in Janaadhar Mangala** – Most of the units sold in the Janadhaar Mangala project are to bulk customers. Out of a total of 225 units sold as on July 2017, 190 were sold to bulk customers. 90 units were sold to GIFT city as per the initial agreement. However, the sale of units to end customers has been on the lower side.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Real Estate Entities](#)

About the company:

Janaadhar (India) Private Limited (JIPL), incorporated in 2007, is promoted by Jana Urban Foundation (JUF). The company was formed for developing affordable housing projects with accessible housing finance. Following the additional equity fund raised from external investors in FY2015, JUF currently holds 52.99% stake as on date, with the other major shareholders being Tree Line Asia Master Fund (Singapore) Private Limited with 12.99% share and Sterling Developers with 11.95% share. The remaining shares are held by individuals—namely, Narayan Ramachandran, Vikram Gandhi, Vallabh Bhansali, Badri Narayan Piliinja, and Sri Vatsa Krishna.

Till date, JIPL has completed one project—Phase 1 of its Janaadhar Shubha project in the Attibelle—Anakel Road in South Bangalore, consisting of 480 1BHK apartments with a built-up area of 400 sq. ft. each. JIPL is presently constructing the Phase II of its Janaadhar Shubha project. The project consists of 648 2BHK apartments with a built-up area of around 650 sq. ft. each. The company has also taken up a mixed development project in GIFT City, Gujarat, consisting of 330 residential apartments, retail centres, healthcare centres, primary school and community centre.

Key Financial Indicators

	FY2016	FY2017
	Audited	Audited
Operating Income (Rs. crore)	18.61	25.51
PAT (Rs. crore)	0.42	-6.64
OPBDIT/ OI (%)	-7.3%	-26.9%
RoCE (%)	2.5%	-11.0%
Total Debt/ TNW (times)	0.49	0.85
Total Debt/ OPBDIT (times)	-13.2	-3.5
Interest coverage (times)	-1.71	-9.16
NWC/ OI (%)	142.0%	141.1%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crores)	Amount Outstanding (Rs. crore)*	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					Oct 2017	Sep 2016	-	-
1	Term Loan	Long Term	15.00	8.19	[ICRA]BBB - (Stable)	[ICRA]BBB- (Stable)	-	-
2	Unallocated		15.00	0.00	-	-	-	-

* as on July 2017

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
Instrument Details

ISIN No	Instrument	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. Cr)	Current Rating and Outlook
-	Term loan	-	-	Oct 2019	15.00	[ICRA]BBB- (Stable)
-	Unallocated	-	-	-	15.00	
	Total				30.00	

Source: the company

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About ICRA Limited:

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