Kumar Housing Township Private Limited
(Erstwhile Krishcon Publication India Private Limited)

March 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debentures	49.00	CARE B; Stable (Single B; Outlook: Stable)	Reaffirmed
Total Long-Term Instruments	**49.00 (Rs. Forty-Nine Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in the rating assigned to the instrument of Kumar Housing Township Private Limited (KHTPL) continues to remain constrained by considerable execution and marketing risk due to nascent stage of the project, high dependence on customer advances, leveraged funding structure, stretched liquidity and funding risk due to pending financial closure for project costs, other than land.

The rating continues to remain constrained by competition and geographical concentration of projects, and inherent cyclical nature of the real estate industry. The rating continues to derive comfort from experience of the promoter- Kumar group, which has around five decades of presence in the real estate business.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Significant advancement in execution of overall development portfolio without any time or cost overrun.
- Achieving financial closure for entire project costs with repayments linked to construction progress
- Receipt of higher-than-envisaged collections on account of better sales momentum, coupled with profit levels higher than envisaged.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Delay in attaining envisaged sales and realizing potential revenue leading to stressed cash flows.

Detailed description of the key rating drivers

Key Rating Weaknesses

Project execution risk due to nascent stage of the project: The company is developing a residential township admeasuring 104 lsf of total saleable area. Total project cost of the company is estimated to be around Rs.3867 crore. As on Jan 31, 2022, the company has incurred only Rs. 396 crore (including land cost of Rs.358 crore which constitutes 10% of total project cost. Hence, there exists significant execution risk.

High dependence on customer advances and leveraged capital structure: The company is yet to incur project cost of over Rs.3400 crore, which is planned to be funded through customer advances of more than Rs.3000 crore and balance through additional debt draw down. Thus, there is high dependence on customer advances to fund the project cost. Furthermore, since the project has not been launched yet and sales is not initiated, there are no committed receivables from sold units. In the absence of committed receivables, company remains exposed to any cash flow mismatches arising out of low demand. This apart, the debt levels of the company are significantly high and will remain elevated until medium term, owing to scheduled bullet repayment of debt facilities. Hence, the funding pattern of the company remains leveraged.

Funding risk due to pending financial closure: While the company has achieved financial closure for acquisition of land cost, however, it has planned to raise additional debt for construction cost of the project. The same is under planning stage and yet not sanctioned. Hence, there exists funding risk. Any delay in receipt of funds shall extend the construction timeline and thereby accentuate execution and saleability risk.

Competition and geographical concentration of projects: The project is proposed at Manjri, Pune region thus there is a geographic concentration. Any downturn in such market will impact the revenues going forward. Furthermore, there are many new upcoming projects in these areas which are being developed by other players in the market. The other projects will result in additional inventory, which may lead to downward pressure on selling prices and saleability risk.

Inherent cyclical nature of the industry: The company is exposed to the cyclicality associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. Although the interest rates have moderated, buyer sentiments are yet to improve. Any adverse impact due to macro-economic factors including slow down and adverse regulatory changes may have an impact on the sales velocity and thus impact the cash flow of the companies operating in the real estate sector.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced promoter and management in real estate business: KPIPL belongs to the Pune based Kumar group founded in 1966 and is engaged in the business of real estate development. The group has been involved in developing residential and commercial buildings and has diversified into engineering construction and plant biotechnology business. The company is jointly spearheaded by the third generation of the promoter family of the group, Mr. Manish Vimalkumar Jain, Director, who is an MBA by qualification and holds around 25 years of professional experience in the real estate business. He is ably supported by Mr. Yogesh Yeshwant Bhave, Director and Chief Financial officer who is a Chartered Accountant by profession and holds around 20 years of experience in the real estate business. The group exhibits rich experience in developing real estate spaces in residential segment in the Pune region with more than 60 lsf of spaces developed both in economic and luxurious segment since inception.

Liquidity: Stretched

Liquidity is marked by low cash and bank balance as on December 31, 2021, however there are no debt repayment obligations due in current fiscal and next fiscal, until financial closure for entire project cost is achieved. The project is yet to be launched and the company has not initiated sales, hence, company is yet to generate any funds from its projects. This, reflects stretched liquidity in near to medium term until KHTPL offloads the inventory and realizes healthy milestone-based payments.

Analytical approach: Standalone

Applicable Criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating methodology for Real estate sector

About the Company

Incorporated on April 26, 2017, Kumar Housing Township Private Limited (Erstwhile, Krishcon Publication India Private Limited (KPIPL)), initially promoted by Mr. Rohit Vijaykumar Palsule and Ms Vaishali Prasanna Gole in the capacity of directors, was acquired in FY20 by Mr. Manish Vimalkumar Jain (99.99% of holding) and Ms Mamta Jain, promoter family of Kumar Group of Pune. KHTPL has taken up the construction and development of residential and commercial real estate project admeasuring 104 lakh square feet (lsf) in Manjri, Pune, Maharashtra.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (UA)
Total operating income	0.00	0.33	11.42
PBILDT	0.00	-1.24	4.98
PAT	0.00	-1.25	3.88
Overall gearing (times)	0.00	Negative	NA
Interest coverage (times)	0.00	Negative	498

A: Audited UA: Unaudited NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE0H2C08018	March 18, 2021	Zero coupon	March, 2028	49.00	CARE B; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Debentures-Non Convertible Debentures	LT	49.00	CARE B; Stable	-	1)CARE B; Stable (08-Mar-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures- Non-Convertible Debentures	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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