

Jayabheri Properties Private Limited

November 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	645.00 (Enhanced from 480.00)	CARE BBB-; Positive	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in the rating assigned to bank facilities of Jayabheri Properties Private Limited (JPPL) takes into cognisance the improvement in operational performance in FY24 (FY refers to April 01 and March 31), marked by considerable growth in pre-sales and collections of both ongoing project and completed project. There has been moderation in the overall sales momentum and collections in current fiscal, given no new projects are launched. The rating continues to derive strength from the promoters' experience, sufficient land bank, and prominent location of the ongoing project.

The rating also factors in moderate sales velocity in 'The Elevate' and slow sales velocity in 'The Connect' project. The repayment of these projects have started, and improvement in sales momentum of these projects for cash flow generation, remains crucial. The track record of fund infusion by the group in the past also lends adequate comfort.

However, strengths are partly offset by project execution risk, moderate reliance on customer advances, low committed receivable coverage ratio of 29% as on August 31, 2024, limited geographical presence, and inherent cyclicity associated with real estate sector. The rating is further tempered by considerable unsold inventory in completed and ongoing project and exposure to group entities.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating on Emergency Credit Line Guarantee Scheme (ECLGS) and vehicle loan bank facilities based on the No Due Certificate and No Objection Certificate from the respective lenders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Complete sale of unsold inventory in "The Capital" and sale of units in "The Connect" projects per the envisaged cash flows.
- Unsold inventory levels falling below 18 months.
- Committed receivable coverage ratio (balance construction cost plus outstanding total debt) above 40%.
- Improvement in collection of ₹500 crore or above on a sustained basis.

Negative factors

- Any delay in project execution or slowdown in sales velocity leading to increase in unsold inventory.
- Any increase in debt levels other than as envisaged cashflows leading to cash coverage ratio falling below 1.1x.

Analytical approach: Standalone financials of JPPL are considered for rating assessment, while factoring the extension of support to the entity "M/s Trendset Jayabheri Projects LLP" wherein real estate development activities are undertaken.

Outlook: Positive

The positive outlook reflects CARE Ratings Limited's (CARE Ratings') belief that JPPL's overall business risk profile will improve upon timely launch of "The Pinnacle" project and achievement of considerable bookings in the early to intermediate stage of execution in line with its past track record. This shall ramp-up the bookings and collections of the company. The outlook may be revised to 'Stable' in the event of substantial delays in launching of upcoming project or significant slowdown in the sales momentum of ongoing/forthcoming projects, leading to a decline in the overall cash flows from envisaged levels.

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

Detailed description of key rating drivers:**Key strengths****Extensive experience of promoters and sizeable presence of the group in Hyderabad real estate market**

JPPL is promoted by Murali Mohan, who is the Chairman of Jayabheri Group of companies. He is an actor, producer, businessman and a former Member of Parliament and has been in the film industry for almost five decades. He has been the Chairman of Jayabheri Group since its inception and has over 35 years of experience in managing various companies under the Jayabheri Group.

Kishore Duggirala is Managing Director and Co-founder of Jayabheri. He holds a degree in Accountancy and started his career as producer and distributor under the banner, Jayabheri Entertainments Pvt Ltd. He has been a significant contributor in managing JPPL and other companies under the group.

Ram Mohan, Director in JPPL, has over two decades of experience in real estate industry. He holds an MBA degree and started his career as a Director in JPPL in 1993. He serves as the Director of Jayabheri Automotives Pvt. Ltd- authorised dealers for Maruti Suzuki.

Over the years, promoters have infused unsecured loans as and when required. The outstanding amount is ₹227.37 crore as on August 31, 2024. The promoters have an ample land bank with a market value of over ₹600 crore.

Significant traction in Andhra Pradesh completed project

JPPL had completed a project named 'The Capital' in December 2021, near Amravati in Andhra Pradesh (AP). The said project's sales velocity was slow due to adverse market conditions impacted by the change in the decision related to the capital city for AP. Therefore, the entire project was completed through mix of promoter infusion and external debt. The debt was repaid by the support of promoters.

However, recently Amravati was announced as the capital of AP, which revived the market condition. JPPL has reported healthy traction in bookings. It sold ~157 units out of total 229 units (69%) as on August 31, 2024, against 74 units (32%) as on September 31, 2023. Comfort can be derived from nil debt against the receivables from the project.

In last 11 months, JPPL has collected ~₹86 crore with sales value of sold units amounting to ₹104 crore. As on August 31, 2024, the company has an unsold inventory of close to ₹120 crore from the said project, which are free cashflows for the company.

Improvement in sales momentum in FY24 and expected to improve further after launch of Pinnacle

JPPL's sales value has improved by 87% to ₹736 crore in FY24 compared to ₹394 crore in FY23. In line with the sales, the collection also improved to ₹441 crore in FY24 from ₹295 crore in FY23. In 5MFY25, the sales momentum has remained moderate with sales value of ₹175 crore and the collection of ₹208 crore, given no substantial area/project is launched in the said period. The company has undertaken soft launch of Pinnacle Project; and given the luxury nature of the project, the sales traction in the said project is expected to improve as the project progresses to intermediate stage of construction. Achievement of healthy sales in intermediate stage of construction would improve the committed receivables coverage position and hence will be monitorable.

Prominent location of ongoing projects

The new project is in Golden Mile Layout of Kokapet, which is in the western part of the Hyderabad and is under the jurisdiction of Hyderabad Metropolitan Development Authority (HMDA). The locality is considered to be an active residential hub, also comprising upcoming commercial and hospitality developments. Additionally, with scarcity of land parcels in West Hyderabad & with a positive outlook towards the commercial office market segment at Hyderabad, spillover of demand from the Financial District has led to organic expansion of real estate activity in the influence zone (micro markets of Kokapet, Khajaguda, Manikonda, Puppalaguda, Narsingi, and Gandipet).

Key weaknesses**Project execution risk**

The group typically manages two to three projects concurrently to ensure project quality and to prevent delays or budget overruns. Currently, there are three ongoing projects: The Pinnacle, The Sahasra, and The Nirvana, totalling 5.23 million square feet (msf) in development area. As on August 31, 2024, significant progress has been made in The Nirvana project, achieving 98% of the total estimated project cost. The Sahasra construction progress is in intermediate stage with 46% of the total cost incurred. The Pinnacle (larger project among three ongoing project), being newer project, is in nascent stage and ~11% of total estimated

project costs stands incurred. Overall, as on August 31, 2024, the construction progress stands moderate at 42% of the total estimated project cost, hence the company is exposed to project execution risk.

Moderate reliance on customer advances

Total envisaged project cost of three ongoing projects is ~₹2,544 crore, is planned to be funded through mix of customer advances (53%), external debt (33%), and promoter's funds (14%). About half of the project cost is envisaged to be funded from customer advances and given the low committed receivables position, there is high reliance on fresh sales for cash flow generation. In the event of moderation in sales velocity, the company might have to rely on additional external debt or promoters support. Hence, the sales momentum and timely realisation of customer advances remains crucial. Comfort can be derived from the receipt of customer advance to an extent of ₹767 crore against aggregated booking value of ₹1,266 crore, ~50% of the total project cost. However, the completion of the project within the envisaged costs and sales per business plan is critical from credit perspective.

Moderate committed receivable ratio

As on August 31, 2024, committed receivable ratio improved to 29% compared to 21% as on September 31, 2023. New Project named 'Pinnacle' is planned to be launched after the project progresses to intermediate stage, and hence committed receivables in the said projects are limited. However, excluding this project committed receivable ratio of other two projects is comfortable at 55% ("Nirvana": 89% and "Sahasra": 61%). The ratio for overall portfolio is expected to improve post launch of 'Pinnacle' project and achievement of comfortable sales in the said project.

Moderate level of unsold inventory in completed and ongoing project

JPPL has developed projects in joint venture (JV) with Trendset Properties Private Limited named Trendset Jayabheri The Connect (commercial) and Trendset Jayabheri The Elevate (residential). Both the projects are completed and have received occupancy certificate (OC). However, there has been slow sales in the commercial project, having ~0.32 msf unsold area (69% of total developer's share) and ~0.10 msf unsold area in residential project (12% of total developer's share), cumulatively leading to ~₹435 crore worth of unsold inventory. Additionally, there is a debt outstanding of ~₹88 crore as on August 31, 2024, which will be repaid from the sale of the JV project. Given the slow sales momentum in these projects, the support is expected from other project surplus promoter infusion. In the ongoing projects, the company has booked ~1.44 msf area (38% of the total developer's saleable area) as on August 31, 2024 against 1.05 msf area as on September 30, 2023.

Exposure to group entities and debt backed by corporate guarantee of JPPL

JPPL has a significant exposure in its group companies, Jayabheri Automotives Private Limited, with equity investment of ₹23 crore as on March 31, 2024 (PY: FY23-₹23 crore) and ~₹42.67 crore in Trendset Jayabheri LLP as on March 31, 2024. The two companies, Trendset Builders Private Limited (TBPL) and JPPL entered a Limited Liability Partnership under the name- "Trendset Jayabheri Projects LLP" (TJPLLP) for construction of residential and commercial properties. TJPLLP has completed construction of two projects: The Elevate (Type: Residential) and the Connect (Type: Commercial) in Hyderabad. TJPLLP had taken a loan of ₹ 215.00 crore for construction and further in FY24, it has availed ₹ 55 crore of additional loan for making vendor payments. Entire amount of ₹270.00 crore is backed by the corporate guarantee of JPPL and further by TBPL, where in each of the party is a Guarantor for the entire amount of loan. Adverse impacts on the company's financial risk profile due to crystallisation of contingent liabilities, will remain key monitorable.

Risk associated with real estate industry being subject to regulations and competition from other players

Real estate sector demand is linked to the overall economic prospect of the country. Change in the economic outlook affects the expected cash inflows to a household, also influencing their buying decision. Besides, as leverage forms an important part of funding for the buyer, availability of loan and interest rates also affects the demand of real estate properties. On the other hand, land, labour, cement, and metal prices being some of major cost centres for the sector, availability of these factors plays important role in pricing and supply of new units. Hence, cyclicity associated with economic outlook, interest rates, and metal prices, among others, also renders the real estate sector towards cyclicity. Moreover, the companies in the sector are also exposed to regulatory changes, especially in the countries such as India with evolving regulations. Also, there exists competition from upcoming and completed projects of other well-known developers in the region.

Liquidity: Adequate

The liquidity position of the company is adequate marked by over 90% of collection efficiency and sales velocity ₹180 crore/quarter. In 5MFY24, JPPL has achieved sales of ₹175 crore with collection of ₹208 crore. The loans are availed on the ongoing projects named "The Sahasra" and "The Pinnacle", there is sizeable moratorium, and repayment starts from June 2027 indicating

comfortable cashflow position in near term. Given the track record of the company and recent sales velocity of the ongoing project, the loan is expected to be prepaid well ahead of its schedule.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

JPPL was founded in 1987 by Murali Mohan, Chairman, Kishore Duggirala, Managing Director, and Ram Mohan Maganti, Director. JPPL is promoted by Murali Mohan with shareholding of 33.30% followed by Kishore with 33.37% and Ram Mohan with 33.30% as on March 31, 2024. The company undertakes development of premium and luxury segment of residential and commercial real estate projects. JPPL has over 30 years of experience in real estate development with a delivery track record of completed space of over 10 msf across Andhra Pradesh and Telangana as on August 31, 2024. As on August 31, 2024, JPPL is developing 5.53 msf of real estate projects. The group, including JPPL, has three other entities, namely, Jayabheri Property Services Pvt Ltd, Jayabheri Automotives Pvt Ltd, and Jayabheri Entertainments Pvt Ltd.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	5MFY24 (UA)
Total operating income	282.04	539.14	210.19
PBILDT	34.29	50.65	22.67
PAT	36.22	45.03	25.45
Overall gearing (times)	2.23	2.05	1.89
Interest coverage (times)	80.70	155.26	133.35

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term loan	-	-	-	April 2030	645.00	CARE BBB-; Positive

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	645.00	CARE BBB-; Positive	-	1)CARE BBB-; Stable (05-Jan-24)	1)CARE BBB-; Stable (31-Mar-23) 2)CARE BBB-; Stable (24-May-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

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

Contact us

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About us:

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