

K Raheja Corp Real Estate Private Limited

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,825.00	CARE A; Stable	Assigned
Long-term / Short-term bank facilities	175.00	CARE A; Stable / CARE A1	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of K Raheja Corp Real Estate Private Limited (KRCREPL) derive strength from strong managerial and financial linkages of the entity with K Raheja Corp (KRC) group (promoted by Chandru Raheja and family), and significant financial flexibility from being part of the group. Additionally, the rating factors in satisfactory booking status and moderate execution risk, given the intermediate stage of execution of overall portfolio and group's strong track record of execution demonstrated by delivering over 100 lakh square feet (lsf) across projects. The availability of a sizeable land bank also provides comfort for future expansion.

However, these rating strengths are offset by moderately leveraged financial risk profile, geographical concentration risk, and the inherent cyclicity of the real estate sector.

Going forward, the ability of KRCREPL and its subsidiary - Cavalcade Properties Private Limited (collectively referred to as KRC's residential vertical) to launch upcoming projects in a timely manner, ramp-up bookings and collections to improve its leverage profile in medium term will remain key rating monitorable. While cash flows of KRC's residential vertical are expected to remain comfortable to meet its debt and project commitments, CARE Ratings Limited (CARE Ratings) expects the group will continue to extend adequate support in the event of any contingencies.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the percentage of committed receivable to cover balance project cost and outstanding debt to 60% and above on a sustained basis.

Negative factors

- Considerable decline in the operating cash flows of KRC's residential vertical on account of lower-than-envisaged sales momentum and collection efficiency.
- Any incremental external debt other than envisaged, deteriorating the leverage profile with external debt/collections of KRC's residential vertical increasing above 3x, on a sustained basis.
- Changes in shareholding pattern with KRC group's stake (direct or indirect) falling significantly below current level.

Analytical approach: Consolidated while factoring strong managerial and financial linkages with KRC group and the entity's strategic importance to the group. CARE Ratings has considered the consolidated business and financial risk profile of KRCREPL and its subsidiary, as these entities are in the same line of business and linked through a parent-subsidiary relationship. Furthermore, the entities have common management, and significant operational and financial linkages. Annexure-6 details the list of companies considered in the consolidation.

Outlook: Stable. The stable outlook reflects CARE Ratings' belief that KRCREPL will continue to derive benefit from the healthy financial flexibility by virtue of being associated with strong promoters, while maintaining its stable business profile.

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

Strong promoter group with vast experience in real estate development

The KRC group, promoted by Chandru Raheja, is a well-established real estate developer with a diverse portfolio that includes commercial, residential, retail, hospitality, and malls. The group operates several prominent brands, such as Mindspace Business Parks, Commerzone, Shoppers Stop, Inorbit Malls, and Chalet Hotels. The key listed companies operated within the group include Mindspace Business Parks REIT (Market cap of ₹21,859 crore as on December 03, 2024), Chalets Hotels Limited (Market cap of ₹19,462 crore as on December 03, 2024) and Shoppers Stop Limited (Market cap of ₹7,070 crore as on December 03, 2024). With a strong presence in major cities including Mumbai, Hyderabad, Pune, and Chennai, the group has developed over 60 million square feet of commercial, retail and residential space.

Strong financial flexibility

KRCREPL is an integral part of the KRC group, which plans to consolidate its residential business under this entity. Going forward, all residential projects are planned to be managed under KRCREPL, making it crucial for the group's expansion in the residential real estate market. As part of the KRC group, it enjoys strong financial flexibility. KRC group has infused around ₹3,000 crore (in the form of equity and unsecured loans), aiding in efficient cash flow management for KRCREPL's ongoing project portfolio. These factors reflect the entity's strategic importance, and the group is expected to extend support in the event of any future contingencies.

Satisfactory booking momentum

KRC's residential vertical has launched over 35 lsf of saleable area, with over 50% of the area launched in FY24 and H1FY25. As on September 30, 2024, KRC's residential vertical has sold over 50% of total saleable area, reflecting comfortable booking status of the overall project portfolio in the intermediate stage of construction. Amongst ongoing projects, KRC's residential vertical has been able to sell over 60% of the saleable area in four out of eight ongoing projects, over 35% in two projects and under 20% in balance projects. As on September 30, 2024, KRC's residential vertical has unsold inventory of close to ₹3,400 crore among ongoing projects and based on the average sales momentum in last two fiscals, the unsold inventory remains low at close to six quarters, reflecting KRC's residential vertical's satisfactory sales momentum.

Moderate project execution risk

KRC's residential vertical has launched all its ongoing projects in the last three fiscals, with total saleable area of over 35 lakh square feet. As on September 30, 2024, it has incurred over 40% of the total estimated project cost for the entire ongoing project portfolio, indicating an intermediate stage of execution. Among the ongoing projects, KRC's residential vertical has incurred over 60% of the total estimated project cost in three projects and over 40% in three others, while the remaining projects are at a nascent stage. Given the intermediate stage of execution and the group's strong track record, demonstrated by the delivery of 100 lakh square feet in residential space, the execution risk for the ongoing project portfolio stands limited. Although, KRC's residential vertical plans to launch a sizeable area in the near term, which will elevate the execution risk to certain extent. Nevertheless, the funding tie-ups are majorly in place, providing comfort for future execution.

Availability of sizeable land bank for future projects execution

KRC's residential vertical owns sizeable land parcels in Mumbai and Pune. Presence of this land bank, along with few in-place JDA agreements, provides comfort for launch of future projects in near term.

Key weaknesses

Moderately leveraged financial profile

As on September 30, 2024, KRC's residential vertical has incurred a project cost of ~₹2,000 crore on the ongoing projects, which is substantially funded though debt. Overall debt funding availed on ongoing projects, contributed over 40% of total project cost. KRC's residential vertical's development portfolio majorly consists of luxury projects which generally witness sales traction after substantial construction progress and hence there is moderately high reliance on debt for project funding. Furthermore, all of its projects are launched in the past three fiscals, hence the committed receivables stand moderate and covers ~34% of balance project cost and outstanding debt. Going ahead, with expected launching of new projects in near term, the debt level of KRC's residential vertical is expected to further increase and hence the financial risk profile of KRC's residential vertical is expected to remain moderately leveraged in medium term. KRC's residential vertical's debt levels are anticipated to decline gradually as the ongoing project portfolio matures. The ability of KRC's residential vertical to achieve comfortable sales in upcoming projects in early stages will also remain crucial for improvement in its leverage profile.

Geographical concentration risk

KRC's residential vertical's ongoing projects are being executed in Mumbai and Pune, thus there is considerable geographic concentration. Any downturn or operational or regulatory challenges in such micro markets may impact developer's revenues going forward. Further, there are many upcoming projects in these areas, being developed by other players in the market which would result in additional inventory and may build negative pressure on selling prices and enhance marketing risk. Nevertheless, the group's strong track record of development and established market position in these regions provides adequate comfort.

Inherent risk associated with executing large-scale project, given cyclical nature of real estate industry

The group is exposed to the cyclical nature associated with the real estate sector, which has direct linkage with the general macroeconomic scenario, interest rates, and level of disposable income. In case of the real estate companies, the profitability depends highly on property markets. A high interest rate scenario could discourage consumers from borrowing to finance real estate purchases and might depress the real estate market.

Liquidity: Adequate

KRCREPL, derives significant comfort from being part of KRC group. As on September 30, 2024, KRC's residential vertical maintained free liquid investments of over ₹200 crore. Additionally, KRC's residential vertical has access to undrawn limits exceeding ₹1,000 crore. KRC's residential vertical has receivables from sold inventory to the tune of ₹1,600 crore, which provides cash flow visibility in the near term and partially covers balance project cost and outstanding debt. The cash flow from the KRC's residential vertical are expected to remain comfortable to service its upcoming debt obligations. The company derives comfort from presence of strong promoters. The group has demonstrated track record of support with infusion of around ₹3,000 crore (in the form of equity and unsecured loans) in KRC's residential vertical, hence, such funding support from the group, as and when required, lends adequate comfort.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

KRCREPL is a part of the KRC group. It is the group's flagship company, housing majority of the residential real estate projects. Currently, the group has eight residential projects under development, covering over 35 lsf of saleable area. With over four decades of experience, KRC group has an established track record in the real estate sector, led by Chandru Raheja and his sons Ravi Raheja and Neel Raheja.

Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	964.02	248.99
PBILDT	85.13	39.46
PAT	-153.05	-275.82
Overall gearing (times)*	-2.64	-2.80
Interest coverage (times)*	0.35	0.11

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

Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	964.02	492.14
PBILDT	85.13	-85.24
PAT	-153.05	-418.44
Overall gearing (times)*	-2.92	-2.99
Interest coverage (times)*	0.35	-0.21

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

*Not meaningful, given the nature of real estate operations

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/Non-fund-based-LT/ST		-	-	-	175.00	CARE A; Stable / CARE A1
Term Loan-Long Term		-	-	March 2030	2825.00	CARE A; Stable

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	Term Loan-Long Term	LT	2825.00	CARE A; Stable				
2	Fund-based/Non-fund-based-LT/ST	LT/ST	175.00	CARE A; Stable / CARE A1				

LT: Long term; ST: Short term; LT/ST: Long term/Short 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/Non-fund-based-LT/ST	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Cavalcade Properties Private Limited	Full	Subsidiary in same line of business, having common management, and significant operational and financial linkages.

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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