

April 05, 2023

Urbanscape Properties LLP: [ICRA]BB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]BB+ (Stable); assigned
Total	-	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating of Urbanscape Properties LLP (USP) factors in the limited external debt, healthy unencumbered inventory of around Rs. 35-40 crore from completed projects and financial flexibility derived as a part of the Bhima Group [Bhima Jewellery Trivandrum, [ICRA]A- (Stable)]. The Group has strong retail presence and long operational track record in the jewellery market of South India for more than nine decades. At present, the firm is undertaking one project named Solitaire in Trivandrum city, which was launched in November 2022 with a total saleable area of 91,090 sft. The project is expected to be funded through customer advances, external debt and internal accruals. The leverage as reflected by External Debt/CFO is likely to be less than 2.0 times in the medium term.

The rating, is however, constrained by the modest scale of operations and nascent stages of construction for the ongoing project, which exposes the firm to high execution risks. It is exposed to high market risk, given only 4% of the total area is sold as of December 2022. Further, USP is exposed to geographical concentration risk as the ongoing and future developments are limited to the Kerala market. The rating further factors in the vulnerability of its sales to any downturn in the real estate demand and stiff competition within the region from various established real estate developers.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that USP will benefit from healthy inventory and expected comfortable leverage.

Key rating drivers and their description

Credit strengths

Part of Bhima Group – The firm is a part of the larger Bhima Group [Bhima Jewellery Trivandrum, [ICRA]A- (Stable)], which has strong retail presence and long operational track record in the jewellery market of South India for more than nine decades, which provides financial flexibility to USP.

Healthy unencumbered inventory provides financial flexibility – The firm reported total unencumbered unsold inventory of more than Rs. 35-40 crore as of March 2022, which provides financial flexibility as there is no major external debt. It reported total debt of Rs. 16.6 crore as on March 31, 2022, of which the unsecured interest-free loan from promoters stood at around Rs. 16.5 crore. With limited external debt, the leverage as marked by net external debt/CFO remains low as of March 2023, which is likely to sustain below 2.0 times going forward.

Credit challenges

Modest scale of operations and nascent stages of construction for ongoing project – USP's scale of operations remained modest over the last few years. The firm achieved sales of ~Rs. 23.7 crore in FY2022 (PY: Rs. 19.2 crore) from its ongoing and completed projects. At present, it is executing one residential project encompassing 91,090 sft of total saleable area. It is in the nascent stages of construction, exposing USP to high execution risk. The firm is exposed to high market risk, given only 4% of the total area is sold as of December 2022. Further, the sanction of Rs. 20 crore for the ongoing progress is in advanced

stage reflecting the moderate funding risk. USP has three planned launches covering a total area of 0.32 lakh sft over the next two years.

Geographical concentration risks arising from presence only in Kerala market – All of the ongoing and upcoming projects of the firm are located in the Kerala market, which exposes it to the geographical concentration risk. It faces stiff competition from other real estate developers in Kerala.

Exposure to cyclicity in real estate industry – The real estate sector is marked by a highly fragmented market structure because of the presence of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the firm’s sales vulnerable to any downturn in demand.

Liquidity position: Stretched

The firm’s liquidity is stretched, marked by low cash and cash equivalents of Rs. 1.17 crore as of March 2022. Improving the sales velocity and collections will be critical for improving its liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant and sustained increase in the sales and collections, along with improvement in the liquidity position and debt protection metrics.

Negative factors – Negative pressure on the rating could emerge in case of delays in project execution, slower-than-expected sales and collections or if significant unbudgeted debt-funded investment leads to deterioration in the liquidity and leverage position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Real Estate entities
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Urbanscape Properties LLP (USP), a limited liability partnership firm, is a part of the Bhima Group, which is one of the prominent jewellery brands in South India. The firm is into developing residential apartments in Kerala, where it has already completed two projects and has one ongoing apartment project, Urbanscape Solitaire, in Trivandrum.

Key financial indicators (audited)

USP	FY2021	FY2022
Operating income	19.2	23.7
PAT	2.3	2.8
OPBDIT/OI	19.4%	20.4%
PAT/OI	12.0%	11.9%
Total outside liabilities/Tangible net worth (times)	1.1	1.0
Total debt/OPBDIT (times)	4.5	3.4
Interest coverage (times)	22.4	10.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Source: Company; ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Feb 28, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				April 05, 2023	-	-	-
1 Issuer rating	Long term	-	-	[ICRA]BB+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	-	-	-	-	[ICRA]BB+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4547 4829
anupama.reddy@icraindia.com

Abhishek Lahoti
+91 40 4547 4829
abhishek.lahoti@icrainia.com

Vishal R
+91 80 4332 6419
vishal.r@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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