



Date: February 10, 2023

| | |
|---|---|
| The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 Script Code: 543669 | National Stock Exchange of India Limited 5 th Floor, Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai-400051 Script Code: RUSTOMJEE |
|---|---|

Sub: Credit rating by ICRA

Ref: Intimation under Regulation 30(6) read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

This is to inform that ICRA Ratings vide its letter dated February 6, 2023, has intimated the Company that it has assigned the credit rating of ICRA A- issued by it for Company's Long term Funds based - Term Loan of ₹ 500 Crore.

This is for the information and records.

Thanking You.

Yours faithfully,

For Keystone Realtors Limited




Bimal K Nanda
Company Secretary & Compliance Officer
Membership No A11578
Encl.: As above

KEYSTONE REALTORS LIMITED

Registered & Corp. Office : 702, NATRAJ, M. V. Road Junction, Western Express Highway,
Andheri (East), Mumbai - 400 069. Tel.: +91 - 22 - 6676 6888, Fax: +91 - 22 - 6676 6999.
Web : www.rustomjee.com, CIN : L45200MH1995PLC094208

February 06, 2023

Keystone Realtors Limited: Rating assigned

Summary of rating action

| Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|-----------------------------------|-------------------------------------|-----------------------------|
| Long-term Fund-based – Term loans | 500.00 | [ICRA]A- (Stable); assigned |
| Issuer Rating | 0.00 | [ICRA]A- (Stable); assigned |
| Total | 500.00 | |

*Instrument details are provided in Annexure-1

Rationale

The assigned rating of Keystone Realtors Limited (KRL) favorably factors in the strong operational track record and brand strength of the Rustomjee Group ('Group') in Mumbai Metropolitan Region (MMR) residential real estate market, underpinned by over 20 million square feet (mn sq ft) of deliveries till date and the strong saleability of the projects. The group follows an asset light model by entering into joint development or redevelopment agreements to reduce its capital investments in land. On a consolidated basis, excluding the DM projects¹, in H1 FY2023, the company reported bookings of Rs. 618 crore and collections of Rs. 625 crore in H1 FY2023, an increase of 62% and 40%, respectively on a YoY basis. ICRA expects collections to remain healthy at over Rs. 1,500 crore supported by healthy past sales for the ongoing projects and execution progress. The future sales visibility is supported by a strong pipeline of upcoming projects. As on October 31, 2022, the pipeline for future project launches stood at ~27 mn sq ft of which ~6 mn sq ft is planned to be launched in FY2023 and FY2024 compared to ongoing portfolio of 6 mn sq ft. The rating also factors in favourable debt reduction over the recent quarters led by equity issuances (Rs. 170 crore in Q1 FY2023 and Rs. 560 crore through IPO in Q3 FY2023). ICRA notes that the company utilised Rs. 352 crore of the net IPO² proceeds for bank debt reduction and as on March 2023, the Total external debt for the Group's portfolio is expected to be around Rs. 600 crore. ICRA expects the total debt/CFO to remain around 3 times as on March 2024, supported by strong sales and collections resulting in healthy increase in cash flow from operations.

The rating, however, is constrained by the execution and market risks resulting from the large expansion plans for maintaining the growth momentum and strengthening its market presence in existing as well as new micro-markets in MMR. As on October 31, 2022, the group had a future project pipeline of ~27 mn sq ft, to be launched over the medium term. Timely launch of these projects, along with healthy sales and construction progress would be critical to support the collections. The funding risk for the company remains moderate as receivables from the sold area cover 52% of the balance construction cost of the ongoing projects and debt outstanding as of October 31, 2022. The rating is also constrained by geographically concentrated portfolio with the group's completed, ongoing as well as future projects being located in MMR. However, the sizeable contribution of MMR in Indian residential estate market and the Group's healthy share in the market given its presence across product segments and price points, partly mitigate the risk. The company remains exposed to the cyclicity in the residential real estate segment.

The Stable outlook on the rating reflects ICRA's belief that the company will continue to benefit from its established brand as well as track record of operations and maintain healthy sales and collections, while reducing the leverage.

¹ DM Projects represent projects where KRL is acting as a development manager

² KRL raised Rs. 560 crore from IPO of which Rs. 21 crore was utilised for IPO expenses. Out of the net IPO proceeds of Rs. 539 crore, Rs. 352 crore has been utilised for pre-payment of debt.

Key rating drivers and their description

Credit strengths

Strong operational track record and brand strength in real estate sector of the Rustomjee Group in MMR region – The Rustomjee Group has a strong execution track record, which includes development of luxury residential real estate, affordable housing, shopping mall, schools and commercial spaces. Its execution track record is supported by the completed construction of over 20 mn sq. ft. area, under-construction projects comprising a saleable area of 6 mn. Sq. ft. and forthcoming developments of 27 mn sq ft in pipeline. The group follows an asset light model by entering into joint development or redevelopment agreements to reduce its capital investments in land.

Healthy sales track record – The Group has a well-recognized brand in MMR and enjoys market leadership position in the catered micro-markets. On a consolidated basis, excluding the DM projects, the company reported sales bookings and collections of Rs. 1,666 crore and Rs 1,104 crore in FY2022, an increase of 14% and -3%, respectively on a YoY basis. The momentum has continued in H1 FY2023, with sales bookings of Rs. 618 crore and collections of Rs. 625 crore in H1 FY2023, an increase of 62% and 40%, respectively on a YoY basis. Across the ongoing projects, the company reported healthy sales and the portfolio level years-to-sell is around 1 year. ICRA expects collections to remain healthy at over Rs. 1,500 crore supported by healthy past sales for the ongoing projects and execution progress. The future sales visibility is supported by a strong pipeline of upcoming projects.

Reduction in debt led by recent equity issuances –KRL raised Rs. 170 crore through equity issuance in Q1 FY2023 followed by Rs. 560 crore raised through IPO in November 2022. As on October 31, 2022, the consolidated external debt stood at Rs. 971 crore (including bank debt and NCDs). The company utilised Rs. 352 crore of the net IPO³ proceeds for bank debt reduction and as on March 2023, the Total external debt for the Group's portfolio is expected to be around Rs. 600 crore. The remaining proceeds from IPO will be used for funding the future growth plans of the group. Besides the external debt, the company had unsecured loans/ inter corporate deposits amounting to Rs. 552 crore as on June 30, 2022 which are subordinated to bank debt and mainly infused by either project specific partners or promoters to fund the respective project acquisition. ICRA notes that with the proposed merger (scheme of arrangement for merger is already filled) of one of the JV companies Toccata Realtors Private Limited with KRL, the unsecured intercorporate debt is expected to reduce by Rs. 310 crore. After factoring in the expected debt reduction and healthy increase in cash flow from operations, ICRA expects the total debt/CFO to remain below 3 times in FY2024.

Credit challenges

Exposure to execution and market risks given the large expansion plans of the Group– The group has significant plans of expanding its ongoing portfolio in order to maintain the growth momentum and strengthen its market presence in existing as well as new micro-markets in MMR. As on June 30, 2022, the pipeline for future project launches stood at ~27 mn sq ft of which ~6 mn sq ft is planned to be launched in FY2023 and FY2024 compared ongoing portfolio of 6 mn sq ft. The sizeable new launches expose the company to execution and market risks. Timely launch along with healthy sales and construction progress would be critical to support the collection and hence, the generation of operational cash flows. The funding risk for the company remains moderate as receivables from the sold area cover 52% of the balance construction cost of the ongoing projects and debt outstanding outstanding as of October 31, 2022.

Geographically concentrated portfolio– The group's completed, ongoing as well as future projects are located in MMR. However, the risk is partly mitigated by sizeable contribution of MMR in Indian residential estate market and the Group's market share. Further, the Group's presence across product segments and price points further mitigates the risk.

Susceptibility to cyclical and regulatory risks in the real estate sector – The real estate sector is cyclical and has a highly fragmented market structure because of the presence of a large number of regional players. In addition, being a cyclical

³ KRL raised Rs. 560 crore from IPO of which Rs. 21 crore was utilised for IPO expenses. Out of the net IPO proceeds of Rs. 539 crore, Rs. 352 crore has been utilised for pre-payment of debt.

industry, the real estate sector is highly dependent on macro-economic factors, which in turn exposes the company's sales to any downturn in demand.

Liquidity position: Adequate

As on December 31, 2022, KRL reported unencumbered cash and liquid investments of over Rs 400 crore as on, supported by net proceeds of Rs. 539 crore through recently concluded IPO in November 2022. It utilised Rs 352 crore of IPO proceeds towards prepayment of debt, while remaining will be utilized for ongoing/future projects. The company's consolidated scheduled debt repayment in H2 FY2023 and FY2024 are Rs. 11 crore and Rs. 115 crore respectively, which are expected to be comfortably met through cash flow from operations.

Rating Sensitivities

Positive factors – The rating may be upgraded if the company is able to demonstrate a significant increase in sales and collections resulting in sustained healthy growth in operating cash flows, while improving leverage levels.

Negative factors – The rating may be downgraded if there are significant delays in project execution and in case of subdued sales and collections adversely impacting the operating cash flows, and/or significant increase in indebtedness resulting in Total debt/CFO of more than 4.0 times on a sustained basis.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Rating Methodology for Real Estate entities Rating approach for consolidation |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | For arriving at the rating, ICRA has consolidated KRL along with its operational subsidiaries, JVs (including Kapstone Constructions Private Limited) and associate entities on account of the strong business and financial linkages between these entities which are all enlisted in Annexure-II. |

About the Company

Established in 1996, Keystone Realtors Limited is a flagship entity of the Rustomjee Group. KRL was listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) on November 24, 2022. KRL and its subsidiaries undertake residential and mixed-use projects in Mumbai Metropolitan Region (MMR) under the Rustomjee brand. The Rustomjee Group has a strong execution track record, which includes development of luxury residential real estate, affordable housing, shopping mall, schools and commercial spaces. Its execution track record is supported by the completed construction of over 20 mn sq. ft. area, under-construction projects comprising a saleable area of 6 mn. sq. ft. and forthcoming developments of 27 mn sq ft in pipeline.

Key financial indicators (audited)

| KRL- Consolidated | FY2021 | FY2022 |
|--|--------|---------|
| Operating income (Rs. crore) | 851.5 | 1,270.2 |
| PAT (Rs. crore) | -37.5 | 137.9 |
| OPBDIT/OI | 16.8% | 14.2% |
| PAT/OI | -4.4% | 10.9% |
| Total outside liabilities/Tangible net worth (times) | 3.4 | 3.0 |
| Total debt/OPBDIT (times) | 8.5 | 8.6 |
| Interest coverage (times) | 1.0 | 7.7 |

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore
nm= not meaningful as the rentals have commenced in FY2023; all ratios as per ICRA's calculations

Source: Company's audited financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current rating (FY2023) | | Chronology of Rating History for the past 3 years | | | | |
|------------|--------------------|--------------------------|---|---|-------------------------|-------------------------|-------------------------|---|
| | | Amount rated (Rs. crore) | Amount outstanding as of Dec 31, 2022 (Rs. crore) | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 | Date & rating in FY2020 | |
| | | | | Feb 06, 2023 | - | - | - | |
| 1 | Term loan-I | Long-term | 4.10 | 4.10 | [ICRA]A-(Stable) | - | - | - |
| 2 | Term loan-II | Long-term | 0.63 | 0.63 | [ICRA]A-(Stable) | - | - | - |
| 3 | Term loan-III | Long-term | 97.00 | 97.00 | [ICRA]A-(Stable) | - | - | - |
| 4 | Term loan-IV | Long-term | 23.68 | 23.68 | [ICRA]A-(Stable) | - | - | - |
| 5 | Term loan-V | Long-term | 40.47 | 40.47 | [ICRA]A-(Stable) | - | - | - |
| 6 | Proposed Term Loan | Long-Term | 165.88 | 165.88 | [ICRA]A-(Stable) | - | - | - |
| 7 | Issuer Rating | Long-term | - | - | [ICRA]A-(Stable) | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|----------------------------------|----------------------|
| Long-term fund-based – Term Loan | Simple |
| Issuer Rating | NA |

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 | Term loan-I | FY2022 | NA | FY2024 | 4.10 | [ICRA]A- (Stable) |
| NA | Term loan-II | FY2020 | NA | FY2024 | 0.63 | [ICRA]A- (Stable) |
| NA | Term loan-III | FY2023 | NA | FY2025 | 97.00 | [ICRA]A- (Stable) |
| NA | Term loan-IV | FY2019 | NA | FY2024 | 23.68 | [ICRA]A- (Stable) |
| NA | Term loan-V | FY2021 | NA | FY2025 | 40.47 | [ICRA]A- (Stable) |
| NA | Proposed Term Loan | - | - | - | 165.88 | [ICRA]A- (Stable) |
| NA | Issuer Rating | - | - | - | - | [ICRA]A- (Stable) |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

| Company Name | KRL Ownership | Consolidation Approach |
|--|---------------|------------------------|
| Keystone Realtors Limited | - | Full Consolidation |
| Rustomjee Realty Private Limited | 90% | Full Consolidation |
| Keystone Infrastructure Private Limited | 100% | Full Consolidation |
| Amaze Builders Private Limited | 100% | Full Consolidation |
| Keybloom Realty Private Limited | 100% | Full Consolidation |
| Credence Property Developers Private Limited | 100% | Full Consolidation |
| Crest Property Solutions Private Limited | 51% | Full Consolidation |
| Dynasty Infrabuilders Private Limited | 100% | Full Consolidation |
| Enticier Realtors Private Limited | 100% | Full Consolidation |
| Firestone Developers Private Limited | 73% | Full Consolidation |
| Flagranti Realtors Private Limited | 100% | Full Consolidation |
| Imperial Infradevelopers Private Limited | 100% | Full Consolidation |
| Intact Builders Private Limited | 100% | Full Consolidation |
| Kingmaker Developers Private Limited | 100% | Full Consolidation |
| Luceat Realtors Private Limited | 58% | Full Consolidation |
| Navabhyudaya Nagar Development Private Limited | 100% | Full Consolidation |
| Xcellent Realty Private Limited | 100% | Full Consolidation |
| Keysky Realtors Private Limited | 100% | Full Consolidation |
| Ferrum Realtors Private Limited | 100% | Full Consolidation |
| Keyblue Realtors Private Limited | 100% | Full Consolidation |
| Keyheights Realtors Private Limited | 100% | Full Consolidation |
| Riverstone Educational Academy Private Limited | 100% | Full Consolidation |
| Keyspace Realtors Private Limited | 100% | Full Consolidation |
| Key Galaxy Realtors Private Limited | 100% | Full Consolidation |
| Key Interiors Realtors Private Limited | 100% | Full Consolidation |
| Premium Build Tech LLP | 75% | Full Consolidation |
| Rebus Realtors LLP | 100% | Full Consolidation |
| Kapstar Realty LLP | 99% | Full Consolidation |

| Company Name | KRL Ownership | Consolidation Approach |
|--|---------------|------------------------|
| Kapstone Constructions Private Limited | 51% | Full Consolidation |

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 4547 4829

Anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Sandhya Negi

+91 20 6606 9925

sandhya.negi@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

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.