Joyville by Shapoorji Pallonji

September 28, 2024

To,
BSE Limited
P. J. Towers, Dalal Street,
Mumbai – 400 001.

Dear Sir/ Madam,

Subject: Intimation for change in rating of the listed non-convertible debentures
Scrip Codes: 952984, 952985, 973940 and 973941

In terms of Regulation 55 and Regulation 51(2) read along with Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time), this is to inform that credit rating of the listed Non-Convertible Debentures issued by the Company has been revised as below:

From (old)	To (revised)
CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	CARE BBB; Stable (Triple B; Outlook: Stable)

Please find enclosed herewith the press release dated September 27, 2024, issued by CARE Ratings Ltd ("**CARE**") in this regard.

Request you to kindly take the same on record and oblige.

Thanking you,

For **Joyville Shapoorji Housing Private Limited**

SIDDHANT AGARWAL Digitally signed by SIDDHANT AGARWAL Date: 2024.09.28 21:23:26 +05'30'

Siddhant Agarwal
Company Secretary & Compliance Officer
Membership No. A41137

Enclosed a/a.

Joyville Shapoorji Housing Private Limited

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	200.00	CARE BBB+; Stable	Downgraded from CARE A; Stable
Non-Convertible Debentures (Series A)	372.00	CARE BBB; Stable	Downgraded from CARE BBB+; Stable
Non-Convertible Debentures (Series B)	850.77	CARE BBB; Stable	Downgraded from CARE BBB+; Stable

Details of instruments/facilities in Annexure-1.

^ Series A subscribed/to be subscribed by sponsor and Series B subscribed/to be subscribed by investors

Sponsor: Shapoorji Pallonji and Company Private Limited/Shapoorji Pallonji Real Estate Private Limited (SPREPL)

Investors: Actis Place Holdings No.1 (Singapore) Private Limited [Formerly known as Standard Chartered Real Estate Investment (Singapore) II Private Limited], International Finance Corporation (IFC) and Asian Development Bank (ADB)

Rationale and key rating drivers

The revision in rating assigned to the bank facilities and non-convertible debentures of Joyville Shapoorji Housing Private Limited (JSHPL) factors in lower than envisaged cash flow generation at platform level driven by delay in new launches and lower returns from two of the projects under development (at Howrah and Virar) which has pulled down the overall profitability at platform level. The lower surplus has resulted in limited headroom for payment to investors resulting in lower-than-expected payouts at the required Internal Rate of Return (IRR). Such payouts is contingent upon timely realisation of project surplus. While there is sufficient time period available (till November 2028) for the payout, delay in new launches proposed may impact the liquidity position. Thus, timely launch of the projects and envisaged sales shall remain a key rating sensitivity.

The company has planned development of additional 41.40 lsft at Howrah, Thane and Hinjewadi, with the projects likely to commence launch from Q4FY25. With the present projects nearing completion, additional developments result in the inherent execution risk and marketing risk. However, comfort can be drawn from the past track record of execution and comfortable sales. The rating continues to factor in satisfactory sales momentum with the company selling about ~87% of units launched as on July 31, 2024. The company has committed receivable of Rs.886 crore as on March 31, 2024, which provides coverage of 48% for the remaining construction cost for the projects under development.

The rating continues to derive strength from the experience of developer cum sponsor i.e. Shapoorji Pallonji group in real estate market and presence of prominent global financial investors. As a part of business restructuring, the shareholding of Shapoorji Pallonji and Company Private Limited (SPCPL rated CARE BBB-; Negative/CARE A3) in JSHPL has moved to SPREPL which is the real estate Holdco for the group.

In addition, ratings assigned to the Non-Convertible Debentures (NCDs) of JSHPL factor in the flexibility in NCD terms associated with the redemption along with the accrued coupon subject to the availability of distributable amount at the end of 13 years from first date of allotment of NCDs (First Allotment Date is November 17, 2015). The ratings strengths are, however, tempered by the exposure to marketing risks for the unsold area under development and planned development, execution risks, cyclical nature of the industry and higher dependence on customer advances for funding the construction cost. The Investors/sponsor return generation over the balance ~4 years is also dependent upon realization of the sales as per the timelines envisaged and hence would be critical from credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in sales and collection at platform level

Negative factors

- Higher than estimated increase in external construction debt
- Delay in launch of new planned projects beyond H1FY26 there by impacting the cashflows at platform level

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

- Weak sales from launched projects moderating the debt coverage indicators and lower than expected outflow
- Non-adherence to covenants of the NCD transaction structure

Analytical approach:
The assessment of bank facilities of JSHPL on standalone basis.

The assessment of the ratings of the NCDs / Proposed NCDs is based on the strong profile of the investors in the Joyville platform and structuring on NCD based on payable when able structure. As per the agreed terms there are no scheduled repayment or coupon payment till the redemption period of 13 years (FY2028-29) for the Non-Convertible Debentures which provides longer time horizon for the project execution and subsequent monetisation. Further, without prejudice to the other rights and remedies available to the investors, if an event of default occurs, each investor may, at its sole discretion, issue a notice to the sponsor and the company (JSHPL) to provide an exit, subject to extent applicable Indian Laws & regulatory guidelines, to the investors at value calculated as per DTD. Initially the tenure of NCDs was 8.5 years with an option to extend the tenure by 4.5 years from the first date of allotment of debentures. During July 2023 the company has received the extension till FY29 (Nov 2028).

Outlook: Stable

CARE Ratings expects the credit profile of the JSHPL to remain stable backed by the satisfactory sales momentum and collection profile and flexible repayment structure of NCDs.

Detailed description of key rating drivers:

Key strengths

Experienced sponsor/developer
JSHPL primarily is the investment vehicle and has appointed SPREPL as the Development and Marketing Manager (DMM) for each of the projects. SPREPL, in its capacity as a DMM, is primarily responsible for all aspects of the projects, including but not limited to planning, designing, securing approvals, budgeting, arranging finance, tendering, procurement, monitoring construction, branding, marketing, sales and customer relationship, commissioning and handover of the Projects.
As a part of business restructuring of SP Group, the shareholding of Shapoorji Pallonji and Company Private Limited in JSHPL has moved to Shapoorji Pallonji Real Estate Private Limited which is the real estate Holdco for the group. The Shapoorji Pallonji group is an extensive conglomerate with business interests in several sectors such as real estate, coal mining, power, ports, roads, biofuels & agriculture, shipping & logistics, consumer products, textiles etc.

Prominent multilateral organizations as partner investors

Large prominent multilateral organizations viz International Finance Corporation, Asian Development Bank and ACTIS Place Holdings No.2 (Singapore) Private Limited (ACTIS) together hold 51.5% of shareholding in JSHPL. The investors provide the required financial support with entire land purchase funding committed to be funded by the Investors and sponsors (in ratio of 70:30). JSHPL was to receive an investment aggregating Rs.1,240 crore from these marquee investors and Sponsor. Till June 30, 2024, JSHPL has received NCDs amounting to ~Rs905 crores from the investors and sponsors. These funds are used for the purchase of land and other pre-development expenses for the projects already acquired. For the new projects which are yet to launched, JSHPL might use the surplus generated from the projects or use the balance NCDs for buying land.

Satisfactory project execution in majority of the sites

JSHPL is currently developing a total saleable area of ~108 lsf (~72% of total area) across Kolkata (Howrah), Virar, Gurugram and Pune (Hinjewadi - I, Hinjewadi - II and Manjri-I and II). Furthermore, JSHPL has plans to develop an additional 41.40 lsf across Pune (Hinjewadi – III), Thane and Howrah. As on March 31, 2024, the company has already incurred around 71% of total cost projected for the area under development. Out of the projects under development, the projects at Howrah and Virar have been relatively slow moving although picked up over the last 3 years.

The sales momentum for the projects have been satisfactory and sales to launched units has improved from 73% as on August 31, 2020 to 87% as on July 31, 2024. During the last 12 months ending, July 31, 2024, the company has sold about 1200 units and the launched unsold inventory stood at 1,306 units. Considering the sales momentum (average 100 units per month) the balance inventory is likely to be sold in next 13 months. The collection efficiency has also remained comfortable at over 98%+. The committed receivable from sold inventory cover almost 48% of balance construction cost for the launched project.

Structured payment mechanism for NCDs and commencement of coupon payments

The entire structuring of the instruments is aimed to ensure a kind of preference to the NCDs subscribed by the investors over the NCDs subscribed by the sponsors, which in turn are subordinated to the senior debt. The redemption of NCDs shall be carried out through waterfall mechanism elaborated under an order of distribution. The order of distribution is structured to ensure that the investors receive back their principal and a pre-determined Internal Rate of Return (IRR) on their investment. The distribution is to be monitored by the Distribution Committee comprising of shareholders/debenture holders. The distributable amount shall be the amount arrived after deducting expenses for the next 6 months and amount for senior debt servicing for next 6 months from the sale proceeds, receivables, etc. Further as per the terms of the instrument there are no scheduled repayment or coupon payment because of which, probability of default does not arise till the redemption period of 13 years (FY2028-29). Initially the tenure of NCDs was 8.5 years with an option to extend the tenure by 4.5 years from the first date of allotment of debentures. During July 2023 the company has received the extension till FY29 (Nov 2028).

These in-built clauses have supported the cashflows at platform level given the losses incurred from the Howrah and Virar projects.

Key weaknesses

Delay in new launches impacting cashflow and investor payout

At platform level, the company has been adding up additional area under development; however there have been delays in project launches which along with relatively lower return from two projects of Howrah and Virar have impacted the overall cashflow generation. Except the two aforementioned projects, the other projects have generated adequate surplus thereby enabling the company to commence payment to NCD holders with net distribution of Rs. 649 crore till May-24.

However, the surplus from existing projects is insufficient to cover the redemption of NCDs in line with targeted IRRs. Thus, the investors payout is contingent upon the surplus from the new projects proposed. There has been consistently lower than expected payouts which has resulted in higher cash outgo requirement to achieve the required IRR.

CARE expects that the investors will achieve the required IRR during the remaining tenor of 4 years; however the sponsors' return is expected to be subdued. The company has planned development of additional 41.40 lsft at Howrah, Thane and Hinjewadi, with the projects likely to commence launch from Q4FY25. Timely collections from sold inventory, minimal cancellations and the ability to achieve new sales is thereby crucial.

Project execution and marketing risk

The estimated project cost for 9 projects under construction is Rs.8,815 crore (excluding interest) which is being funded through customer advance of ~86% and balance through NCD/CCD and term debt.

The company has incurred Rs.4,475 crore (i.e. 71%) as on March 31, 2024, as against 58% on March 31, 2023 for the launched projects.

Initially JSHPL planned to develop about 39.6 lsf in Howrah, however due to lower sales momentum, the company had dropped the plans to develop and planned to sell the land. Over the years, with the company completing the construction of the ongoing projects (at Howrah) the livability has improved and therefore, the company has taken up additional development at Howarh instead of selling land. The area being developed in Howrah has increased from 11.16 lsf to 28.75 lsf. The company is planning to develop additional space in Thane with an area of 5.41 lsf. As JSHPL has increased the scope of the platform by taking additional projects, the same has increased cost from Rs.7,192 crore as on March 31, 2023 to Rs.8,815 crore as on March 31, 2024. There is still a significant portion of the cost to be completed and to that extent the execution risk prevails. The projects being executed are highly dependent on customer advances with funding of 80% of the project cost.

Losses from Howrah and Virar project impacting the platform cashflows.

Due to the change in market conditions since the Howrah and Virar projects were envisaged, the company had realized lower expected sales leading to an elongated project life cycle. The projects have shown improvement over the last few years however these projects are expected to report losses which is pulling down the overall returns of platform. With JSHPL developing additional space in Howrah, the profitability for the Howrah platform is expected to improve but timely execution of the project and ability to achieve sales remains to be seen.

Cyclical nature of real estate 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. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market

Liquidity: Adequate

JSHPL is a project stage company and majority funding related to pre-development expenses is provided by the marquee investors and sponsor in the form of Non-Convertible Debentures and Compulsorily Convertible Debentures.

The payable when able structure associated with the NCDs provide cashflow comfort with the entire repayment (along with accrued interest) spread out over 13 year time period (till November 2028). Liquidity is also supported by cash and bank balance of Rs. 141 crores as on July 31, 2024

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
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

Joyville Shapoorji Housing Private Limited (JSHPL) was originally incorporated on 11th January, 2007 with the name of Drashti Developers Private Limited. The name of the company was changed to the current nomenclature with effect from 15th October 2015. The Company is mainly into urban affordable housing segment and has planned development of 149 lsf residential space at Howrah, Virar, Gurugram, Pune and Thane. Currently, it has undertaken development of 108 lsft. The shareholding in JSHPL is held by SPREPL (48.5%) and balance by Actis Place Holdings No.2 (Singapore) Private Limited (25.75%), IFC (12.875%) and ADB (12.875%).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	580	856	619
PBILDT	32	(161)	26
PAT	(12)	(415)	-7
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited; Note: these are latest available financial results NM: Not Meaningful

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	200	CARE BBB+; Stable
Debentures-Non Convertible Debentures-Series A	INE373S08622	November 17, 2015	10%	13 years (17/11/2028)	48.00	CARE BBB; Stable
	INE373S08622	December 3, 2015	10%		16.50	CARE BBB; Stable
	INE373S08622	January 20, 2016	10%		25.34	CARE BBB; Stable
	INE373S08622	July 4, 2018	10%		45.30	CARE BBB; Stable
	INE373S08622	July 19, 2018	10%		17.54	CARE BBB; Stable
	INE373S08622	November 20, 2018	10%		62.40	CARE BBB; Stable
	INE373S08622	August 13, 2019	10%		20.40	CARE BBB; Stable
	INE373S08622	March 13, 2020	10%		18.00	CARE BBB; Stable
	INE373S08622	March 20, 2020	10%		7.20	CARE BBB; Stable
	INE373S08648	May 13, 2022	10%		10.80	CARE BBB; Stable
Debentures-Non Convertible Debentures-Series A (Proposed)	-	-	10%	13 years (17/11/2028)	100.52	CARE BBB; Stable
Debentures-Non Convertible Debentures-Series B	INE373S08630	November 17, 2015	10%	13 years (17/11/2028)	94.77*	CARE BBB; Stable
	INE373S08630	December 3, 2015	10%		38.5	CARE BBB; Stable
	INE373S08630	January 20, 2016	10%		59.12	CARE BBB; Stable
	INE373S08630	July 4, 2018	10%		105.7	CARE BBB; Stable
	INE373S08630	July 19, 2018	10%		40.93	CARE BBB; Stable
	INE373S08630	November 20, 2018	10%		109.2	CARE BBB; Stable
	INE373S08663**	November 20, 2018	10%		36.4	CARE BBB; Stable
	INE373S08630	August 13, 2019	10%		47.6	CARE BBB; Stable
	INE373S08630	March 13, 2020	10%		42	CARE BBB; Stable
	INE373S08630	March 20, 2020	10%		16.8	CARE BBB; Stable
	INE373S08655	May 13, 2022	10%		25.2	CARE BBB; Stable
Debentures-Non Convertible Debentures-Series B(Proposed)	-	-	10%		234.55	CARE BBB; Stable

* As on date, the outstanding nominal amount of NCDs is ~INR 9.41 crores.
** Unlisted

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	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (30-Sep-21)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (30-Sep-21)
3	Debentures-Non Convertible Debentures#	LT	372.00	CARE BBB; Stable	-	1)CARE BBB+; Stable (28-Sep-23)	1)CARE BBB+; Stable (29-Sep-22)	1)CARE BBB+ (CW with Developing Implications) (30-Sep-21)
4	Debentures-Non Convertible Debentures@	LT	850.77*	CARE BBB; Stable	-	1)CARE BBB+; Stable (28-Sep-23)	1)CARE BBB+; Stable (29-Sep-22)	1)CARE BBB+ (CW with Developing Implications) (30-Sep-21)
5	Fund-based - LT-Term Loan	LT	200.00	CARE BBB+; Stable	-	1)CARE A; Stable (28-Sep-23)	1)CARE A; Stable (29-Sep-22)	1)CARE BBB; Positive (30-Sep-21)

LT: Long term
#Series A
@Series B, * As on date, the outstanding Non-Convertible Debentures (Series B) is ~INR 765.41 crores.

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	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the 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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