



## Press Release

### Cybercity Builders and Developers Private Limited

May 26, 2022

#### Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Facilities	480.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>Rs. 480.00 Crore (Rupees Four Hundred and Eighty Crores Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Cybercity Builders and Developers Private Limited ('CBDPL' or 'the Company') factors the established track record of the promoters in real estate development, project execution capability of the Company as out of 16 projects in hand at present 4 projects have been completed and another 4 projects are at advanced stage of completion, saleability of completed projects as ~94% of the completed inventory has been sold off and adequate liquidity profile with satisfactory booking progress as reflected from booking level of ~34% in the ongoing projects. Further, with high value of unsold inventory that provides the healthy revenue visibility to the Company in next five years and comfortably covers the debt outstanding as on 31 March 2022, the scale of operation is expected to improve in the near future. The rating also takes into account the favourable location of the projects with major regulatory approvals in place for majority of the projects and improving capital structure.

The rating, however, is constrained by the high reliance of the Company on customer advances to meet the funding requirement of its ongoing projects. Although, Infomerics notes that the ongoing projects, wherein 8 projects being at initial to mid stage of construction and 4 projects at advanced stage of development, ~28% of the total cost of the inventory has been funded out of their own collections, which stands at ~39% of the total expected customer advances across all ongoing projects at present and thus, improves the overall cash flows for the projects to an extent. The rating is further constrained by the geographic concentration risk and residual project execution risk associated with the ongoing projects.

#### Key Rating Sensitivities:

##### Upward Factors

- Timely completion of the project with no cost overruns and stabilization of operations with current booking rate or higher
- Significant reduction in debt level through prepayments



## Press Release

### Downward Factors

- Cost overrun of more than 10% adversely impacting debt to project cost, or time overrun of more than 6 months weakening financial risk profile
- Any further increase in debt level or yearly repayment obligation

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters and operational track record of the Company:**

The Company, incorporated in 2005, has more than a decade of operational track record in the real estate development and has developed more than 7.5 million sqft of built-up area as of now. The promoters have more than two decades of experience in the real estate industry and are resourceful with the ability to extend funds on a need basis.

- **Established track record of project execution and operational performance:**

The Company, on a consolidated basis, has delivered more than 7.5 million sqft of built-up area and an area of ~7 million is under development. Rainbow Vistas @ Rock Garden, Hyderabad is a flagship project of Cybercity, of which the Phases 2A, 2B & 2C are fully completed and almost sold out. Rainbow Vista Phase 2D and Project Marina Skies, are the projects under progress, where construction has been mostly completed. Project Oriana, Project West Brooke, Project R45 and Project R36 are the main ongoing projects in Hyderabad, where construction work is reported to be in initial stages of development. Project Phase 5, with net saleable area of ~2.4 million sqft, is being developed in the same land parcel where Rainbow Vistas has been constructed in different phases and reported to be in approval stage. Divine City Apartments and Sreeja Meadows (Villas) are the ongoing projects in Chennai and reported to be in the advance stages of development. The Mangadu Commercial – development of commercial space in Chennai, is reported to be in the initial stage of development. Projects in Visakhapatnam are reported to be under development with Iconica Grande – Villa, being at advance stage and Iconica Grande – Apartment, being at initial stage.

- **Healthy sales velocity in the completed inventory and healthy booking for ongoing projects:**

The Company witnessed healthy pick-up in the sale of its completed projects' inventory post the impact of the Covid-19 pandemic and related lockdowns. As of now, ~94% of its completed inventory of 2483 units (including apartment and plots) has been sold off. The Company, on consolidated basis, currently has 12 ongoing projects with booking level of ~34%. Majority (7 projects) of the ongoing projects are in the initial stage of development. The projects which are at advanced stage of development, has booking level of ~70% resulting in steady flow of customer advance which is expected to result in steady cash flows improving their debt servicing ability.



## Press Release

- **Healthy revenue visibility and expected improvement in the scale of operation:**

On a consolidated basis, the Company has realized Rs. 2924.95 Cr (~78%) of its total booked sales of Rs. 3512.25 Cr and the balance of Rs. 759.08 have been estimated to be realized in FY23. Hence, considering current receivable position, expected sale revenue of Rs. 5787.89 Cr and estimated completion period of 5 years across all its projects, the Company has revenue visibility of Rs. 6546.97 Cr for the next 5 years (Financial Year). It has estimated to realize a sale proceed of Rs. 1629.39 Cr for FY23. The Company has delivered more than 7.5 million sqft of built-up area till date, on a consolidated basis and the scale of operations remained moderate as per the provisional FY22. It has 16 projects with ~66% of unsold inventory and as cash flows in the near to medium term will be generated largely from the sale of these inventory, the scale of operation is expected to improve in the near future.

- **Favourable location of the projects:**

There are six major ongoing residential projects in Hyderabad which includes Rainbow Vistas - Rock Garden, Marina Skies, Oriana, Westbrook, Project R45 and Project R36. The location of the ongoing projects enjoys proximity to IT and financial hub of Hyderabad. Divine City (Apartments), Mangadu Commercial and Sreeja Meadows are the current ongoing projects in Chennai. The Chennai Residential project of the Company is located opposite to the Kamakshi Temple at Mangadu and very well connected to the inner and outer ring roads. Iconica Grande is the ongoing project in Visakhapatnam. The residential projects demand prospects are expected to be favourable given its proximity to various corporate offices in the vicinity and developed social infrastructure.

- **Satisfactory Financial Risk Profile:**

On a consolidated basis, the company has reported total operating income of Rs. 219.83 Cr in FY21 as against Rs. 268.20 Cr in FY20. For FY22 (Provisional), the company has reported revenue of ~Rs. 258.12. EBITDA and PAT for FY21 were Rs. 54.87 Cr and Rs. 19.05 Cr respectively against Rs. 61.05 Cr and Rs. 15.39 Cr for FY20. On a standalone basis, during FY21, revenue and profitability declined y-o-y, as the major portion of the project - Rainbow Vistas has been sold off almost completely. Revenue and PAT were Rs. 33.41 Cr and Rs. 14.40 Cr respectively during FY21, against Rs. 71.16 Cr and Rs. 7.64 Cr respectively for the previous year. However, collections from the ongoing/new projects are expected to support the standalone revenue going forward. Gearing ratio continues to be high as reflected by 4.06 times as on 31 Mar 2021. However, the ratio is improving y-o-y backed by the reduction in debt and improvement in TNW. Debt protection stood weak as marked by the DSCR and ISCR of 0.46 times and 1.08 times as on 31 Mar 2020. However, cash flow cover for FY23 stands at 1.23 times and average cash cover for the five years stands at 1.67 times, indicating adequate repayment coverage.

### **Key Rating Weaknesses**



## Press Release

- **Geographical concentration risk:**

The Company currently has projects in Hyderabad, Chennai and Visakhapatnam, and is exposed to geographic concentration as around 79% of their total saleable area comes from the Hyderabad real estate market. Around 9% comes from the Chennai and around 13% comes from the Visakhapatnam. Any adverse movement in the Hyderabad real estate market may adversely impact the sales and collections of the company at least in the short to mid-term.

- **Exposure to inherent cyclicity in real estate industry:**

The real estate sector is marked by volatile prices and 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 company's sales vulnerable to any downturn in demand. The risks are heightened by the high geographical concentration risks as most of the ongoing and completed projects are in Hyderabad.

- **Exposure to residual execution risk:**

The projects remain exposed to residual execution risk as ~55% of the total project cost is yet to be incurred as of March 2022. They are in varying stages of development and project execution & completion, without any time and cost over-run, would be a key monitorable.

**Analytical Approach:** Consolidated

The business and financial risk profiles of Cybercity Builders and Developers Pvt Ltd, and its subsidiaries, associates and joint ventures has been combined, as all the entities, have significant managerial, operational, and financial linkages. Cybercity Builders and Developers Pvt Ltd is the parent company and entities in the group includes Cybercity Mangadu Projects Pvt Ltd, Cybercity Housing Pvt Ltd, Cybercity Infrastructure Pvt Ltd, Cybercity Hallmark Projects, Cyberhomes, Iconica Projects, Fruition India Pvt Ltd, Cybercity Renewable Pvt Ltd, Amaravati Mega International Convention Hub Pvt Ltd, Iconica Gateway Amaravati Pvt Ltd.

**Applicable Criteria:**

[Rating Methodology for Real Estate Entities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

**Liquidity – Adequate**

The company, on a consolidated basis, maintains moderate cash and bank balance to meet its liquidity requirements. The liquidity position looks adequate with the cash cover above unity over FY22-FY24.

**About the Company**





## Press Release

Cybercity Builders and Developers Private Limited was incorporated in 2005 at Hyderabad. The Company, along with its subsidiaries and associates, is engaged in the construction of residential & commercial real estate projects and mainly developing residential projects in Hyderabad, Chennai, Visakhapatnam, and Bangalore. It has developed more than 7.5 million sqft of built-up area and an area of ~7 million is under development of saleable area is under construction. The registered office of the Company is situated near Hi-tech City MMTS, Hyderabad.

The Company also has two 5 MW capacity solar power plants, each located in Rajapet SS, Nalgonda District, and Nednoor SS, Ranga Reddy District, with a 25-year offtake agreement with Telangana State Southern Power Distribution Company Limited, starting 2016 [at affixed tariff rate of Rs 6.75 per unit and Rs 6.90 per unit respectively]. The projects are part of the state government's solar power policy. Both the projects have been commissioned and are operational as of now.

Mr. Murali Krishna K is the Group Chairman, Mr. Venu Vinod is the Managing Director and Mr. Vijaya Bhaskar Reddy K is the Executive Director. Mrs. Maheswari K and Mr. Srivardhan Reddy are the other Directors.

### Financials (Consolidated):

	INR in Crores		
For the year ended*	31-03-2019	31-03-2020	31-03-2021
	Audited	Audited	Audited
Total Operating Income	285.05	268.20	219.83
EBITDA	74.17	61.05	54.87
PAT	12.59	15.39	19.05
Total Debt	629.79	558.93	542.22
Tangible Net worth	100.60	108.49	133.65
EBIDTA Margin (%)	26.02	22.76	24.96
PAT Margin (%)	4.29	5.34	7.77
Overall Gearing ratio (X)	5.54	4.79	3.85

*\*Classification as per infomerics' standards*

**Status of non-cooperation with previous CRA:** India Ratings continued the ratings for the bank loan facilities of Cybercity Builders & Developers Pvt Ltd under Issuer Not Cooperating category dated 19 May 2021.

**Any other information:** N.A.



## Press Release

### Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loans (Outstanding)	Long Term	73.82	IVR BBB-/Stable	-	-	-
2.	ECLGS (Outstanding)	Long Term	31.40	IVR BBB-/Stable	-	-	-
3.	Term Loan (Proposed)	Long Term	374.78	IVR BBB-/Stable	-	-	-

*Note: ECLGS – Emergency Credit Line Guarantee Scheme*

### Name and Contact Details of the Rating Analyst:

Name: Mr. G Rajaram Tel: (022) 62396023 Email: <a href="mailto:grajaram@infomerics.com">grajaram@infomerics.com</a>	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: <a href="mailto:Prakash.kabra@infomerics.com">Prakash.kabra@infomerics.com</a>
---	---

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for



## Press Release

any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities Term Loan (Outstanding)	-	-	Feb 2024	20.39	IVR BBB-/Stable
Long Term Fund Based Facilities Term Loan (Outstanding)	-	-	Mar 2025	22.21	IVR BBB-/Stable
Long Term Fund Based Facilities Term Loan (Outstanding)	-	-	Dec 2028	31.22	IVR BBB-/Stable
Long Term Fund Based Facilities ECLGS (Outstanding)	-	-	Apr 2024	8.85	IVR BBB-/Stable
Long Term Fund Based Facilities ECLGS (Outstanding)	-	-	Jan 2026	12.55	IVR BBB-/Stable
Long Term Fund Based Facilities ECLGS (Outstanding)	-	-	Dec 2027	10.00	IVR BBB-/Stable
Long Term Fund Based Facilities Term Loan (Proposed)	-	-	-	374.78	IVR BBB-/Stable

### Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
Cybercity Builders and Developers Pvt Ltd	100%
Cybercity Mangadu Projects Pvt Ltd	100%
Cybercity Housing Pvt Ltd	100%
Cybercity Infrastructure Pvt Ltd	100%



## Press Release

Cybercity Hallmark Projects	100%
Cyber Homes	100%
Iconica Projects	100%
Fruition India Pvt Ltd	100%
Cybercity Renewable Pvt Ltd	100%
Amaravati Mega International Convention Hub Pvt Ltd	100%
Iconica Gateway Amaravati Pvt Ltd	100%

### **Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Cybercity-Builders-May22.pdf>

### **Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).