



Press Release

Jones Foundations Private Limited

May 18, 2022

Rating

Instrument/ Facility*	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	100.00	IVR BBB-/ Stable (IVR Triple B Minus with a Stable Outlook)	Assigned	Simple
Total	100.00	INR Hundred Crores Only		

**Details of Facilities are in Annexure 1*

Detailed Rationale

The rating assigned to the bank facilities of Jones Foundations Private Limited (JFPL) draws comfort from its experienced promoters and management team, availability of land bank with the company, favourable project cost structure with low reliance on external debt and healthy booking status for its launched projects. However, these rating strengths are partially offset by its high dependence on customer advances, nascent stage of one of the project and exposure to risks relating to cyclical in real estate industry.

Key Rating Sensitivities

Upward Factors

- Timely receipt of customer advances
- Sustenance of support from the promoters
- Healthy booking status on a sustained basis

Downward Factors

- Lower than expected booking Status
- Delay in completion of the project

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

Mr. Jones Manasha, the Managing Director have almost three decades of experience in the real estate industry. Under his mentorship, JFPL has completed and delivered residential real estate properties in Chennai.



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- **Favorable project cost structure with low reliance on external debt**

The total cost of the ongoing projects is envisaged at ~Rs.169 crore, with ~Rs.103 crore to be funded through customer advances, ~Rs.36 crore through promoter's funding and the rest Rs.30 crore through debt. JFPL currently have one loan outstanding among its already completed projects, backed by LRD, and other two Covid loans. Further, it has taken a term loan of Rs.30.00 crore for its current project 'Breeze by Jones'.

- **Availability of land bank**

The company owns all its land for its completed/ongoing projects. Hence, there is low/negligible risk pertaining to land.

- **Healthy booking status**

The sales momentum till March 2022 remained satisfactory with ~90% of 'Cassia III' units being launched/sold out. Adequate sales momentum of the remaining inventory and collection efficiency remain crucial to the project cash flows and hence will be a key rating monitorable, going forward.

Key Rating Weaknesses

- **High dependence on customer advances**

The company primarily depends on advances received from its customers and partly on external borrowings to fund its operations. In case, the company is unable to receive timely advances from the customers as envisaged, the cash flow shall then be impacted, leading to delay in project execution, hence a key monitorable.

- **Nascent stage of one project**

Breeze by Jones, project is at its nascent stage of execution and is yet to be launched for sale. JFPL plans to launch the same in July 2022.

- **Exposure to risks relating to cyclicity in real estate industry**

Being a cyclical industry, real estate depends on macro-economic factors and the company's dependence on a particular geography further heightens such risk. The real industry also remains susceptible to regulatory risk. Cumulatively, these may have a material bearing on the real estate project cash flows. This may impact the debt servicing ability of the company. Managing the same thus remains critical

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)

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

Liquidity Position: Adequate

The liquidity position of the company appears adequate backed by healthy demand of its projects. Around ~87% of the units of project 'Cassia III' have been launched/sold successfully and around ~78% of the consideration has already been realized. Further, the company executes one of its two ongoing projects by means of customer advances and by promoters' contribution only, thereby reducing its dependence on debt.

About the Company

Jones Foundations Private Limited (JFPL), set up in 2002, is engaged in real estate development mainly in the Chennai region. The company is led by Mr. M. Jones, the managing director, having an experience of around three decades.

The company has till date completed 27 projects, with combined construction area of around 3.5 million square feet. Further, the company has 2 ongoing projects, with combined area of 4,56,992 square feet, estimating a profit of Rs.36 crore from the same. Furthermore, the company has two upcoming residential projects, with combined area of 1,20,941 square feet.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	88.14	97.15
EBITDA	10.94	12.76
PAT	4.47	5.38
Total Debt	111.31	114.06
Tangible Net worth	31.90	37.28
EBITDA Margin (%)	12.42	13.14
PAT Margin (%)	4.94	5.45
Overall Gearing Ratio (x)	3.49	3.06
Interest Coverage Ratio (x)	1.75	2.34

**Classification as per Infomerics' standards*

Since JFPL is engaged in undertaking construction of residential projects, its revenue profile is largely dependent on completion of the project, leading to volatility in overall operating income

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (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 Loan	Long Term	87.60 (Including 22.05 Proposed)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-
2.	GECL	Long Term	12.40	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-

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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.

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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 Bank Facilities – Term Loan	-	-	June 2033	87.60 (Including 22.05 Proposed)	IVR BBB-/ Stable
Long Term Bank Facilities – GECL	-	-	Dec 2027	12.40	IVR BBB-/ Stable
Total				100.00	

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-jones-foundation-may22.pdf>

Annexure 3: List of companies considered for Consolidated Analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/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.