

September 28, 2022

Puravankara Limited (Previously Puravankara Projects Limited): Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Term Loan	2,004.68	2,004.68	[ICRA]A- (Stable), reaffirmed
Long-term Unallocated	994.32	994.32	[ICRA]A- (Stable), reaffirmed
Long-term/Short-term Unallocated	1.00	1.00	[ICRA]A- (Stable) / [ICRA]A2+, reaffirmed
Total	3000.00	3000.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings for Puravankara Limited (PL) factors in the healthy sales momentum in the Puravankara Group's residential portfolio, supported by adequate sales in new launches as well as ongoing projects of the Group. The Group reported sales of 3.52 million square feet (mn sq ft) in FY2022, compared to 3.43 mn sq ft in FY2021 and 2.83 mn sq ft in FY2020. Further, the sales have remained healthy in Q1 FY2023 at 0.69 mn sq ft, marking a growth of 63% on a year-on-year (YoY) basis. Backed by a pipeline of upcoming launches, including in the 'Purva Land' vertical for plotted residential real estate projects, as well as the increasing market share of established real estate developers, the Group is expected to report healthy operational metrics going forward. The ratings also draw comfort from the track record of Puravankara Group in the residential real estate market. The company has presence in both premium and affordable housing segments and has already delivered projects with a cumulative saleable area of over 43 mn sq ft over the last four decades.

The ratings, however, are constrained by the execution and market risk linked to the significant expansion plans of the Puravankara Group, with new project pipeline of 11.97 mn sq ft of developable area as of June 2022 (Group's share of economic interest), to be launched over the next 12 months. Investments in upfront costs towards the planned launches of the Group have constrained the operating cash flows in FY2022 and Q1 FY2023. Timely launch of these projects, along with healthy sales and collection momentum, would be critical for improving the operational cash flow generation. ICRA expects debt / cash from operations to be under 3.5 times in FY2023. The ratings consider the moderate funding risk as receivables from the sold area cover 54% of the balance construction cost of the ongoing projects and debt outstanding as of March 2022. While there has been a reduction in net debt over the past 12-15 months, the overall interest cost remains on a higher side, given the sizeable proportion of high-cost general corporate debt in the overall consolidated debt profile.

The Stable outlook on the long-term rating of [ICRA]A- reflects ICRA's opinion that the company will continue to benefit from its established brand and market position. ICRA expects PL to report healthy surplus from its operating cash flows in relation to its net debt, backed by increased collections from existing and new projects, especially the plotted layout projects.

Key rating drivers and their description

Credit strengths

Established position and brand name – The Puravankara Group has a track record of over three decades in the real estate market. It has presence in both premium and affordable housing segments under the brands – Puravankara and Provident, respectively. The Group has demonstrated project execution capabilities with completion of saleable area of 43.65 mn sq ft as of June 2022, supported by engagement of reputed civil contractors. The Group has an established presence in Bangalore and has been able to successfully diversify into new geographies such as Pune, Hyderabad and Mumbai, by gaining market share.

Healthy sales progress – On a consolidated basis, the company sold 3.52 mn sq ft area in FY2022 against 3.43 mn sq ft in FY2021, marking a growth of 3% on an annual basis. In terms of sales value, the YoY growth was higher at 9%, supported by increased realisations. The sales momentum has continued in Q1 FY2023, with the company selling 0.69 mn sq ft of area, charting a growth of 63% on YoY basis. There has been a consistent reduction in ready-to-move-in (RTM) inventory over the last few quarters on the back of healthy sales in completed projects and it stood at 0.39 mn sq ft as of June 2022 against 0.52 mn sq ft as of March 2021.

Credit challenges

Significant expansion plans – The Puravankara Group has significant expansion plans, which exposes the company to execution and market risks. The Group plans to launch new projects with a developable area of more than 15 mn sq ft over the next twelve months. Investments in upfront costs towards the planned launches of the Group have constrained its operating cash flows in FY2022 and Q1 FY2023. Timely launch of these projects, along with healthy sales and collection momentum, would be critical for improving the operational cash flow generation. ICRA expects the debt/cash from operations to be under 3.5 times in FY2023.

Moderate funding risk – The Puravankara Group has moderate funding risk with receivables from the sold area covering 54% of the balance construction cost of the ongoing projects and debt outstanding as of June 2022. Sustained traction in the sale of RTM inventory, along with cash flows expected from asset monetisation can help in improving the ratio going forward, through a reduction in debt. Notwithstanding the debt reduction in FY2022, the ratings note that the Puravankara Group has sizeable high-cost general corporate debt, resulting in a high overall average rate of interest of 10.69% as of June 2022.

Vulnerable to cyclical in real estate sector – 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.

Liquidity position: Adequate

As of June 2022, the company had a free cash balance of ~Rs. 300 crore, on a consolidated basis. It expects to maintain similar cash balances going forward, which will be used for any exigencies. Faster collections from the plotted development projects, along with balance consideration from asset monetisation concluded in FY2022 and the available OD limit will support the company's liquidity. Moreover, there are fund raising plans identified for the investment in new projects through alternate investment funds. It has scheduled debt repayments of Rs. 226 crore in the remaining three quarters of FY2023.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to demonstrate sustained momentum in launches and sales, resulting in continued debt reduction through operational cash flows. In addition, the improvement in the debt profile through reduced share of high-cost general corporate debt will be a key rating monitorable.

Negative factors – The ratings may be downgraded on account of lower-than-anticipated operational cash flows or high investments in land resulting in substantial increase in the consolidated debt levels. Specific triggers that could result in a rating downgrade include Net Debt/cash from operations remaining higher than 3.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities

Parent/Group support	Not applicable
Consolidation/Standalone	While assigning the ratings, ICRA has taken a consolidated view of Puravankara Limited along with its operational subsidiaries, joint ventures and associate companies because of the strong business and financial linkages between these entities.

About the company

Puravankara Limited was incorporated in 1986 as Puravankara Constructions Private Limited in Mumbai. The name was changed to Puravankara Projects Limited and it was converted into a public limited company in 1992. Subsequently, the company was listed on the BSE and the NSE in August 2007. Puravankara Projects Limited was renamed as Puravankara Limited on December 21, 2016. It is promoted by Mr. Ravi Puravankara (Chairman), who holds 75% of equity shares in the company. Puravankara Limited, apart from Provident Housing Limited, has various other joint ventures/subsidiaries, including a wholly-owned construction company (Starworth Infrastructure and Construction Limited).

The Puravankara Group is involved in real estate development, with residential assets constituting most of its portfolio. It is present in both the premium and the affordable housing segments under the brands—Purva and Provident, respectively. The Group has major operations in Bangalore, with considerable presence in Chennai, Kochi and Hyderabad, apart from Pune. As of June 2022, the Puravankara Group had completed 77 projects with saleable area of 43.65 msf and had area under development of 21.29 msf (Group's economic interest). Additionally, it had land assets with saleable area of 43.63 msf (Group's economic interest).

Key financial indicators – Purvunakara Limited (Consolidated)

	FY2021	FY2022
Operating income (Rs. crore)	963.5	954.7
PAT (Rs. crore)	-3.9	147.6
OPBDIT/OI	29.5%	22.4%
PAT/OI	-0.4%	15.5%
Total outside liabilities/Tangible net worth (times)	3.32	3.14
Total debt/OPBDIT (times)	9.93	12.23
Interest coverage (times)	0.80	0.64

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; all ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Rating (FY2023)				Chronology of Rating History			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)^	Date & Rating in	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
						Jul 30, 2021	Apr 13, 2021		
1	Long-term Fund-based Term Loan	LT	2,004.68	1922.60	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Positive)
2	Unallocated Limits	LT	994.32		[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Positive)

3	Unallocated Limits	LT / ST	1.00		[ICRA]A- (Stable) / [ICRA]A2+	[ICRA]A- (Stable) / [ICRA]A2+	[ICRA]BBB+ (Positive) / [ICRA]A2	[ICRA]BBB+ (Stable) / [ICRA]A2	[ICRA]BBB+ (Positive) / [ICRA]A2
4	Fixed Deposit Programme	MT	-	-	-	-	-	-	MA (Stable); withdrawn

[^] as on March 31, 2022; LT – Long term; ST – Short term; MT – Medium term

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based Term Loan	Simple
Long-term – Unallocated	Not Applicable
Long-term / Short-term – Unallocated	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: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based Term Loan	Mar-2016	-	Dec-2026	2,004.68	[ICRA]A- (Stable)
NA	Long-term Unallocated	-	-	-	994.32	[ICRA]A- (Stable)
NA	Long-term / Short-term Unallocated	-	-	-	1.00	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Puravankara Limited Ownership	Consolidation Approach
Prudential Housing and Infrastructure Development Limited	100.00%	Full Consolidation
Centurions Housing and Constructions Private Limited	100.00%	Full Consolidation
Melmont Construction Private Limited	100.00%	Full Consolidation
Purva Realities Private Limited	100.00%	Full Consolidation
Grand Hills Developments Private Limited	100.00%	Full Consolidation
Purva Ruby Properties Private Limited	100.00%	Full Consolidation
Purva Sapphire Land Private Limited	100.00%	Full Consolidation
Purva Star Properties Private Limited	100.00%	Full Consolidation
Nile Developers Private Limited	100.00%	Full Consolidation
Vaigai Developers Private Limited	100.00%	Full Consolidation
Starworth Infrastructure and Construction Limited	100.00%	Full Consolidation
Provident Housing Limited	100.00%	Full Consolidation
Jaganmata Property Developers Private Limited	100.00%	Full Consolidation
Purva Property Services Private Limited	100.00%	Full Consolidation
Vagishwari Land Developers Private Limited	100.00%	Full Consolidation
Varishtha Property Developers Private Limited	100.00%	Full Consolidation
Purva Pine Private Limited	100.00%	Full Consolidation
Purva Oak Private Limited	100.00%	Full Consolidation
Provident Meryta Private Limited	100.00%	Full Consolidation
Provident Cedar Private Limited	100.00%	Full Consolidation
Welworth Lanka Holding Private Limited	100.00%	Full Consolidation
Welworth Lanka Private Limited	100.00%	Full Consolidation
IBID Home Private Limited	100.00%	Full Consolidation
Devas Global Services LLP	100.00%	Full Consolidation
DV Infr Homes Private Limited	60.00%	Full Consolidation
Purva Good Earth Properties Private Limited	25.00%	Full Consolidation
Pune Projects LLP	32.00%	Full Consolidation
Keppel Puravankara Development Private Limited	49.00%	Full Consolidation
Propmart Technologies Limited	32.83%	Full Consolidation
Sobha Puravankara Aviation Private Limited	49.75%	Full Consolidation
Whitefield Ventures	42.00%	Full Consolidation

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