

February 02, 2023^(Revised)

Purva Sapphire Land Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Proposed NCD	55.00	[ICRA]BBB (Stable); assigned
Total	55.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating favourably factors in the strong parentage of Purva Sapphire Land Private Limited (PSLPL) and Varishtha Property Developers Private Limited (VPDPL), which are wholly-owned subsidiaries of Puravankara Limited (rated [ICRA]A- with Stable outlook) and a part of the Puravankara Group. The Group has an established track record of over three decades in the residential real estate market, especially in the southern part of India and has developed over 43 million square feet (mn sqft) of saleable area. The proposed project, to be developed by PSLPL and VPDPL in adjoining land parcels, will be launched under the Group's Purva Land vertical, which focuses on plotted residential land development projects. The rating notes the expected support from the parent company, in case of any funding requirement. The rating also considers the healthy demand for plotted projects around the location of the proposed project and the Group's sales track record.

The rating is, however, constrained by the project execution risk. The project remains exposed to significant execution and market risks as land acquisition and receipt of key approvals are pending. Moreover, the real estate sector is marked by a fragmented market structure and is vulnerable to cyclicity depending on macro-economic factors. Nevertheless, the established track record of the promoter group in the residential real estate development offers comfort. ICRA notes that the returns from the non-convertible debentures (NCDs) to the investors will be variable, depending on the cash flows realised from the project to be launched.

The Stable outlook on the rating reflects ICRA's opinion that PSLPL will benefit from the healthy demand for plotted development projects and strong promoter, which lends operational and financial synergies.

Key rating drivers and their description

Credit strengths

Part of Puravankara Group – 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 over 43 mn sqft, supported by engagement of reputed civil contractors. The Group enjoys strong presence in Bangalore and has been able to successfully diversify into new geographies such as Pune, Hyderabad and Mumbai, by gaining market share.

Healthy demand prospects –The Group witnessed healthy demand for the recent plotted projects launched under the Purva Land vertical. The project is expected to be launched in FY2024, after the acquisition is completed in the current year and necessary approvals are received. There is healthy demand for plotted projects in the locality, where the proposed plotted project is being developed.

Credit challenges

Exposure to market and execution risks – The project is in a nascent stage with land acquisition and receipt of key regulatory approvals still pending, which exposes the company to project execution as well as market risks.

Exposure 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 many regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales vulnerable to any downturn in demand.

Liquidity position: Adequate

The liquidity position is expected to be adequate. The healthy demand prospects and relatively faster collections for the plotted development projects are likely to result in adequate cash flow generation for repaying the principal and redemption premium at the end of the NCD tenure of seven years. Given the zero-coupon nature of NCD, there would not be any ongoing interest payments. The parent/group is estimated to provide funding support, if needed.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to launch the project in a timely manner with healthy sales response resulting in strong cash flow visibility for debt repayment. The rating will be sensitive to the credit profile of its parent company.

Negative factors – The rating may be downgraded if delays in project launch or weak sales results in inadequate visibility on the future cash flows. The rating will also be sensitive to the credit profile of its parent company.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities Rating Approach – Implicit Parent or Group Support Rating Approach - Consolidation
Parent/Group support	Puravankara Limited
Consolidation/Standalone	The rating is based on the company's combined business and financial profiles of Purva Sapphire Land Private Limited (PSLPL) and Varishtha Property Developers Private Limited (VPDPL). The two companies propose to acquire adjoining land parcels in Bangalore, which will be developed as a single project. Moreover, the proposed NCDs to be issued for acquiring the land parcels will have a common investor.

About the company

PSLPL and VPDPL are undertaking a residential plotted development project, Provident Woodfield – Phase II, at Hosahalli, Iggalur, Ammanikere, and Kachanayakanahalli villages, Jigani Hobli, Anekal Taluk, Bangalore. Both the companies propose to acquire adjoining land parcels with a combined land area of 34 acres. The land parcel will be developed as a single project and with a total saleable area of 7.4 mn sqft.

Key financial indicators: Not applicable being a project company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2023)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Feb 02, 2023	-	-	-
1 Proposed NCD	Long term	55.00	-	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Proposed NCD	Complex

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	Proposed NCD	Yet to be issued	-	-	55.00	[ICRA]BBB (Stable)

Source: Company data

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Purva Sapphire Land Private Limited	100.00% (rated entity)	Full Consolidation
Varishtha Property Developers Private Limited	100.00%	Full consolidation

Corrigendum

Document dated February 02, 2023 has been corrected with revision in parent/holding company of Purva Sapphire Land Private Limited, from Provident Housing Limited to Puravankara Limited.

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