

June 06, 2023

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	2,402.83	[ICRA]A- (Stable); Reaffirmed
Long-term Unallocated	994.32	596.17	[ICRA]A- (Stable); Reaffirmed
Long-term/ Short-term Unallocated	1.00	1.00	[ICRA]A- (Stable)/[ICRA]A2+; Reaffirmed
Total	3,000.00	3,000.00	

*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 healthy end-user demand and affordability for its new launches as well as ongoing projects. The Group sold 3.99 million square feet (msf) of developed area and reported pre-sales of Rs. 3,107 crore in FY2023, a YoY growth of 13.3% and 29%, respectively. The collections from projects improved by 57% YoY to Rs. 2,258 crore in FY2023. ICRA expects collections to remain healthy at around Rs. 3,200 crore in FY2024, supported by healthy committed sales for the ongoing projects and a strong pipeline of upcoming projects. The launch pipeline for FY2024 is estimated at ~16.21 msf. The ratings also draw comfort from the Puravankara Group's track record in the residential real estate market across Bengaluru and Chennai. The company is present in both premium and affordable housing segments and has delivered projects with a cumulative saleable area of over 45 msf as on March 31, 2023.

The ratings, however, are constrained by the execution and market risk linked to the future launches, especially given the significant expansion plans [from 6.04 msf in FY2023 to 16.21 msf in FY2024]. Despite healthy collections, the company's cash flow from operations (CFO) for FY2023 was constrained by the high upfront costs towards the Group's planned launches. Timely launch of these projects, along with healthy sales and collection momentum, would be critical for improving the CFO. Despite this increase in the company's net debt by ~Rs. 363 crore in the current fiscal, there is improvement in net debt/CFO ratio from 7.34 times in FY2022 to ~3.6 times in FY2023. ICRA expects the net debt/ CFO to remain below 3.5 times in FY2024 supported by healthy CFO and scheduled amortisation of debt. The ratings consider the moderate funding risk as receivables from the sold area cover 42% of the balance construction cost of the ongoing projects and debt outstanding as of March 2023. The overall interest cost remains elevated, given the sizeable share of high-cost general corporate debt and structured debt availed for Purva Land in the overall consolidated debt.

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 operating cash flows in relation to its net debt, backed by increased collections from existing and new projects, especially from its 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 is present in premium as well as affordable housing segments under the brands, Puravankara and Provident, respectively. The Group has demonstrated project execution capabilities with the completion of ~45 msf of developed area as of March 2023, supported by the engagement of reputed civil contractors. The Group has an established presence in the

Bengaluru and Chennai markets and has successfully diversified into new regions such as Pune, Hyderabad, and Mumbai, by gaining market share.

Healthy sales and collections – On a consolidated basis, the company sold ~4.0 msf in FY2023 against 3.52 msf in FY2022, marking a growth of ~14% on an annual basis. In terms of sales value, the YoY growth was higher at 29%, supported by increased realisations. 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, which stood at 0.26 msf as of March 2023 against 0.46 msf as of March 2022. In FY2023, the collections from projects improved to Rs. 2,258 crore (57% YoY) and is expected to be healthy at around Rs. 3,200 crore, indicating improving operating construction pace and efficiencies.

Credit challenges

Significant expansion plans and moderate cash flow adequacy cover – 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 16.21 msf over the next 12 months. Investments in upfront costs towards the Group's planned launches have constrained its operating cash flows in 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 net debt/cash from operations to be under 3.5 times in FY2024. The Group's cash flow adequacy cover is moderate with receivables/ (pending construction cost + debt outstanding) of 42% as on March 31, 2023, indicating high dependence on sustaining healthy sales momentum.

Vulnerable to cyclical in real estate sector – The real estate sector is marked by volatile prices and a highly fragmented market structure because of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors that in turn render the company's sales vulnerable to any downturn in demand.

Liquidity position: Adequate

As of March 2023, the company had a cash balance of ~Rs. 345 crore (including DSRA balance of ~Rs. 75 crore). It is expected to maintain similar cash balances, going forward, which will be used for exigencies. The company has scheduled debt repayments of ~Rs. 600 crore in FY2024, which can be comfortably serviced from its CFO. Shorter cash conversion cycle from the plotted development projects and the available undrawn limits will support the company's liquidity.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company demonstrates 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 in case of lower-than-anticipated operational cash flows or high investments in land, resulting in substantial increase in consolidated debt levels. Specific triggers that could result in a rating downgrade include Net Debt/CFO 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
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 company was renamed as Puravankara Projects Limited and converted into a public limited company in 1992. Subsequently, it was listed on the Bombay Stock Exchange and the National Stock Exchange in August 2007. Puravankara Projects Limited was renamed as Puravankara Limited on December 21, 2016. PL is promoted by Mr. Ravi Puravankara (Chairman), who holds 75% of equity shares in the company. Apart from Provident Housing Limited ("Provident" or "PHL"), PL 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 comprising most of its portfolio. It is present in premium as well as affordable housing segments under the brands, Purva and Provident, respectively. The Group has major operations in Bengaluru with considerable presence in other cities such as Chennai, Kochi, Hyderabad, and Pune. As of March 31, 2023, the Group has completed developing a saleable area of 45 msf. The Group is currently developing projects with a saleable area of 28.16 msf (Group's economic interest) and has land assets with an estimated saleable area of 35.5 msf (Group's economic interest).

Key financial indicators (audited)

Consolidated	FY2021	FY2022	FY2023
Operating income	963.5	954.7	1235.8
PAT	-3.9	147.6	66.5
OPBDIT/OI	29.5%	22.4%	18.6%
PAT/OI	-0.4%	15.5%	5.4%
Total outside liabilities/Tangible net worth (times)	3.32	3.14	3.93
Total debt/OPBDIT (times)	9.93	12.23	12.74
Interest coverage (times)	0.80	0.64	0.64

Source: Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
				June 06, 2023	Sep 28, 2022	Jul 30, 2021	Apr 13, 2021	Jun 01, 2020
1 Term Loan	Long term	2,402.83	1237.35	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)
2 Unallocated	Long term	596.17	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)
3 Unallocated	Long term & short term	1.00	-	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]BBB+ (Positive)/[ICRA]A2	[ICRA]BBB+ (Stable)/[ICRA]A2

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: [Click Here](#)

Annexure I: Instrument Details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Mar-2016	-	Dec-2026	2,402.83	[ICRA]A- (Stable)
NA	Unallocated	-	-	-	596.17	[ICRA]A- (Stable)
NA	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
Centurions Housing and Constructions Private Limited	100.00%	Full Consolidation
Devas Global Services LLP	100.00%	Full Consolidation
DV Infr Homes Private Limited	60.00%	Full Consolidation
Grand Hills Developments Private Limited	100.00%	Full Consolidation
IBID Home Private Limited	100.00%	Full Consolidation
Purva Woodworks Private Limited	100.00%	Full Consolidation
Keppel Puravankara Development Private Limited	49.00%	Full Consolidation
Melmont Construction Private Limited	100.00%	Full Consolidation
Purva Asset Management Private Limited	100.00%	Full Consolidation
White Oaks	100.00%	Full Consolidation
PURVACOM	100.00%	Full Consolidation
Propmart Technologies Limited	32.83%	Full Consolidation
Provident Cedar Private Limited	100.00%	Full Consolidation
Provident Housing Limited	100.00%	Full Consolidation
Provident Meryta Private Limited	100.00%	Full Consolidation
Prudential Housing and Infrastructure Development Limited	100.00%	Full Consolidation
T-Hills Private Limited	100.00%	Full Consolidation
Pune Projects LLP	32.00%	Full Consolidation
Purva Good Earth Properties Private Limited	25.00%	Full Consolidation
Purvaland Private Limited	100.00%	Full Consolidation
Purva Oak Private Limited	100.00%	Full Consolidation
Purva Woodworks Private Limited	100.00%	Full Consolidation
Purva Property Services Private Limited	100.00%	Full Consolidation
Purva Realities 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
Sobha Puravankara Aviation Private Limited	49.75%	Full Consolidation
Starworth Infrastructure and Construction Limited	100.00%	Full Consolidation
Varishtha Property Developers Private Limited	100.00%	Full Consolidation
Welworth Lanka Holding Private Limited	100.00%	Full Consolidation
Welworth Lanka Private Limited	100.00%	Full Consolidation
Whitefield Ventures	42.00%	Full Consolidation

Source: Company

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