January 19, 2024

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	2,402.83	2,280.40	[ICRA]A-(Stable); Reaffirmed
Long-term – Unallocated	596.17	718.60	[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

While assigning the ratings, ICRA has taken a consolidated view of Puravankara Limited (PL) and its wholly-owned subsidiary Provident Housing Limited (PHL), given the strong business and financial linkages, and the latter acts as an extended arm for Puravankara Limited.

The rating reaffirmation factors in the healthy sales performance for PL's new launches as well as ongoing projects in 9M FY2024, supported by healthy end-user demand and affordability, which is expected to sustain in FY2025. On a consolidated basis, PL sold 5.01 million square feet (msf, YoY growth of 80%) of area and reported pre-sales and collections of Rs. 3,967 crore (YoY growth of 89%) and Rs. 2,515 crore (YoY growth of 57%), respectively, in 9M FY2024. ICRA expects the collections to remain healthy at around Rs. 3,756 crore in FY2024 and grow by 10% in FY2025, driven by adequate committed sales for the ongoing projects and a healthy launch pipeline of upcoming projects. The ratings draw comfort from the track record of the Puravankara Group in the residential real estate market. The company has presence in both premium and affordable housing segments and has delivered projects with a cumulative saleable area of over 46 msf as on September 30, 2023.

The ratings, however, are constrained by the exposure to execution and market risks arising from the company's large expansion plans for maintaining the growth momentum and strengthening its market presence in the existing as well as new micromarkets. As of September 2023, the Group had a future project pipeline of ~11-12 msf, to be launched over the next 6 months. Timely launch of these projects, along with healthy sales and construction progress would be critical to support the collections. Some of the projects, especially in Mumbai and Pune regions, have witnessed execution delay and slow sales because of site-related issues and changes in sanction plan. Nonetheless, the company has taken remedial steps to address the issues, which should support construction and sales progress going forwards. Its gross debt remained at around Rs. 2,600 crore over the last three quarters. With healthy improvement in cash flow from operations, the gross debt/CFO improved to 4.28 times as of March 2023 from 8.73 times as of March 2022 and is expected to moderate to 2.58 times as of March 2024. The funding risk remains moderate as receivables from the sold area cover 54% of the balance construction cost of the ongoing projects and debt outstanding as of September 2023. ICRA notes that the overall cost of borrowing for the company remains on a higher side, given the sizeable proportion of high cost general corporate debt in the overall consolidated debt profile. The debt levels have historically been high compared to the net working capital gap for its ongoing project portfolio due to the investment in land bank made earlier. Consequently, the debt/net working capital remains on a higher side at 0.91 times as on March 31, 2023. Nonetheless, a part of the debt pertains to plotted development projects where the turnaround cycle is faster, which partly mitigates the risk.

The rating is constrained by the cyclicality inherent in the real estate business, and geographical concentration risk with significant dependence on Bengaluru region for its completed, ongoing as well as future projects. However, the risk is mitigated as the company has started to diversify its portfolio across various geographies with 72% of the launch pipelines in non-Bengaluru markets.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the Group's credit profile will remain supported by the company's established brand recall in the real estate market and strong marketability across various micromarkets and geographies.

Key rating drivers and their description

Credit strengths

Healthy pre-sales and collections in 9M FY2024; growth expected to be sustained in FY2025 – The company witnessed strong pre-sales and collections in 9M FY2024, supported by healthy demand and good saleability in the ongoing projects. In 9M FY2024, on a consolidated basis, it sold 5.01 msf area (YoY growth of 80%) and reported pre-sales and collections of Rs. 3,967 crore (YoY growth of 89%) and Rs. 2,515 crore (YoY growth of 57%), respectively. ICRA expects the company to maintain the growth trajectory with an estimated sale area of 6.17 msf in FY2024, which is expected to grow by 12% YoY in FY2025. ICRA expects collections to remain healthy at around Rs. 3,756 crore in FY2024 and grow further by 10% in FY2025, driven by adequate committed sales for the ongoing projects and a healthy launch pipeline of upcoming projects.

Established position and brand name – The Puravankara Group has a track record of over three decades in the real estate market primarily in the southern part of India. The Group has demonstrated project execution capabilities with completion of saleable area of over 46 msf as of September 2023, supported by engagement of reputed civil contractors. It has presence in both premium and affordable housing segments under the brands – Puravankara and Provident, respectively. The Group has strong presence in Bangalore and has been able to successfully diversify into new geographies such as Pune, Hyderabad and Mumbai, by gaining market share.

Credit challenges

Exposure to execution and market risk given the large expansion plans; high debt to NWC – The Puravankara Group has significant plans of expanding its ongoing portfolio to maintain the growth momentum and strengthen its market presence in existing as well as new micromarkets. As of September 2023, the Group had a future project pipeline of ~11-12 msf, to be launched over the next 6 months. Timely launch along with healthy sales and construction progress would be critical to support the collections and hence, the generation of operational cash flows. Nonetheless, the Group's strong track record of project execution and sales provides comfort. Some of the projects, especially in Mumbai and Pune regions, witnessed execution delay and slow sales because of site-related issues and changes in sanction plan. Nonetheless, the company has taken remedial steps to address the issues, which should support construction and sales progress going forward. The debt levels have historically been high compared to the net working capital gap for its ongoing project portfolio due to the investment in land bank made earlier. Consequently, its debt/net working capital remains on a higher side at 0.91 times as on March 31, 2023. Nevertheless, a part of the debt pertains to plotted development projects where the turnaround cycle is faster, which partly mitigates the risk.

Vulnerability to cyclicality in real estate sector – The company remains vulnerable to the inherent risks of the real estate sector, such as susceptibility to declining property prices, a slowdown in economy and reduction in housing demand. The Group has high dependence on the Bengaluru real estate market, which accounts for ~56% of the total saleable area in its ongoing projects. However, the risk is mitigated as it has started to diversify its portfolio across various geographies with 72% of the launch pipelines in non-Bengaluru markets.

Liquidity position: Adequate

As of September 2023, the company had a total cash balance of Rs. 624 crore (including DSRA balance of ~Rs. 64 crore) and similar cash levels will be maintained going forward. The scheduled debt repayment of ~Rs. 852 crore in FY2025 can be comfortably met by the cash flow from operations (CFO). Further, low cash conversion cycles in the plotted development projects, along with undrawn limits (around Rs. 672 crore as of September 2023), supports the liquidity position. The company will continue the land investments to maintain its growth. Its land investments are expected to be in the range of Rs. 350 – 500 crore per annum over the next 2-3 years.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company demonstrates sustained momentum in sales and collections, resulting in continued debt reduction through operational cash flows. In addition, the improvement in the debt profile through reduced share of high cost 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 a substantial increase in consolidated debt levels. Specific triggers that could result in a rating downgrade include Gross Debt/CFO remaining higher than 4 times on a sustained basis.

Environmental and social risks

The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can affect its business operations. Impact of the changing environmental regulations on licences taken for property development could create credit risks. In terms of social risks, the trend post-pandemic has been favourable to residential real estate developers as demand for quality home with good social infrastructure has increased.

Further, rapid urbanisation and a high proportion of workforce population (aged 25-44 years) will support long-term demand for the real estate sector in India.

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	While assigning the rating, ICRA has considered the consolidated financials of Puravankara Limited and its subsidiaries, associates and joint ventures. (Refer Annexure II for list of entities considered for consolidation)

About the company

Puravankara Limited was incorporated in 1986 as Puravankara Constructions Private Limited in Mumbai. The company was renamed Puravankara Projects Limited and was 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 the 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 on September 30, 2023, the Group had developed a saleable area of 46 msf. It is currently developing projects with a saleable area of 29.17 msf (Group's economic interest) and has land assets for an estimated saleable area of 32.62 msf (Group's economic interest). Bangalore accounts for around 67% of the total land bank.

Key financial indicators (audited)

Consolidated	FY2022	FY2023	H1 FY2024*
Operating income	954.7	1,225.2	691.6
PAT	152.8	35.2	(26.3)
OPBDIT/OI	22.4%	19.9%	21.8%
PAT/OI	16.0%	2.8%	-3.8%
Total outside liabilities/Tangible net worth (times)	3.1	3.9	4.5
Total debt/OPBDIT (times)	6.0	5.6	8.2
Interest coverage (times)	0.6	0.7	0.7

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)					Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
					Jan 19, 2024	Jun 06, 2023	Sep 28, 2022	Jul 30, 2021	Apr 13, 2021	Jun 01, 2020
1	Term loan	Long term	2,280.40	1594.47	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)
2	Unallocated	Long term	718.60	-	[ICRA]A- (Stable)	[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]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	-	March-2029	2,280.40	[ICRA]A-(Stable)
NA	Unallocated	-	-	-	718.60	[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
Prudential Housing and Infrastructure Development Ltd	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
Starworth Infrastructure and Construction Limited	100.00%	Full Consolidation
Provident Housing Limited	100.00%	Full Consolidation
T-Hills Private Limited (formerly Jaganmata Property Developers Private Limited)	100.00%	Full Consolidation
Purva Property Services Private Limited (formerly Jyothishmati Business Centers Private Limited)	100.00%	Full Consolidation
Varishtha Property Developers Private Limited	100.00%	Full Consolidation
PurvaLand Private Limited (formertly 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 InfraHomes Private Limited	60.00%	Full Consolidation
Purva Woodworks Private Limited	100.00%	Full Consolidation
Purvacom	100.00%	Full Consolidation
Purva Asset Management Private Limited	100.00%	Full Consolidation
Provident White Oaks LLP (White Oaks partnership firm converted into Provident White Oaks LLP w.e.f August 22, 2022)	49.00%	Full Consolidation
Propmart Technologies Limited	86.00%	Full Consolidation
Purva Good Earth Properties Private Limited	25.00%	Full Consolidation
Keppel Puravankara Development Private Limited	49.00%	Full Consolidation
Sobha Puravankara Aviation Private Limited	25.00%	Full Consolidation
Whitefield Ventures	42.00%	Full Consolidation
Bangalore Tower Private Limited (until June 27, 2022)	49.00%	Full Consolidation

Source: Company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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