

March 22, 2024

APG Premium Homes Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme	60.00	60.00	[ICRA]BB-(Stable); reaffirmed
Total	60.00	60.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for APG Premium Homes Private Limited (APGPHPL) factors in the healthy sales progress for Phase 1a of the ongoing residential project – Soho and Sky, which provides adequate cash flow visibility in the near to medium term. The project is being developed by APGPHPL's holding company, APG Imperial Homes Private Limited (APGIHPL) under a joint development agreement (JDA) and is located favourably in Jakkur, Bangalore with proximity to Hebbal Tech Park and good connectivity to industrial areas. The non-convertible debenture (NCD) issued by APGPHPL have been subscribed by APG Premium Homes Pte. Limited (APGPH Pte. Ltd), servicing of which is expected to be done from the cash flows of the 'Soho and Sky' project. The project is being developed in four phases and APGIHPL has a total saleable area of 5.2 lakh sft. The ongoing Phase 1a of the project witnessed healthy sales velocity with 95% of the area sold as of January 2024. The rating continues to note the track record of the Assetz Property Group in developing commercial and residential real estate projects in Bengaluru. The Group had developed over 20 million square feet (msf) residential projects as of June 2023.

The rating, however, is constrained by the exposure to significant execution risk for the project, with only 17% the total project cost incurred as of January 2024. At present, only Phase 1a is under construction with 95% of area sold as of January 2024. However, the project remains exposed to significant market risk for the remaining phases, which are yet to be launched. The launch of Phase 1b has been postponed by 12-15 months on account of delay in receipt of approvals. The same is expected to happen in Q1 FY2025. The project is anticipated to be funded largely through customer advances and no construction finance (CF) loan is proposed to be availed, exposing it to significant funding risk. Any delay in additional booking could adversely impact its cash flow position. Nonetheless, timely support from the promoters is likely to bridge any potential cash flow mismatches in the near term. Besides, the rating is constrained by the nature of the rated debt instrument with equity-like characteristics.

The Stable outlook on the [ICRA]BB- rating reflects ICRA's opinion that the company would be able achieve healthy sales and construction progress in its ongoing project with timely launch of the upcoming phases and generate adequate cash flows.

Key rating drivers and their description

Credit strengths

Attractive project location; healthy sales in Phase 1a – Phase 1a of the project was launched in October 2022 and has witnessed healthy sales velocity, supported by the attractive project location in Jakkur, Bangalore. The company has sold around 95% of total area in Phase 1a as of January 2024, compared to 40% as of January 2023. Jakkur's proximity to Hebbal Tech Park, with good connectivity to industrial areas, has made it a favourable location for real estate development.

Favourable track record of Assetz Property Group – The Assetz Property Group has developed five commercial and fourteen real estate projects in the past, encompassing a total area of over 20 msf. At present, the Group is constructing a residential

project, Soho and Sky, at an attractive location in Jakkur, Bangalore, under JDA with the landlords. The total saleable area of the project stands at 7.6 lakh sft, wherein the developing entity (APGIHPL) has a share of around 5.2 lakh sft.

Credit challenges

Exposure to execution, market and funding risks – The project remains exposed to significant execution risk, with only 17% the total project cost incurred as of January 2024. At present, only Phase 1a is under construction. The project remains exposed to significant market risk for the remaining phases, which are yet to be launched. The launch of Phase 1b has been postponed by 12-15 months on account of delay in receipt of approvals. The same is now expected to be launched in Q1 FY2025. The project is estimated to be funded largely through customer advances and no CF loan is proposed to be availed, exposing it to significant funding risk. Any delay in additional booking could adversely impact its cash flow position. Nonetheless, timely support from the promoters is likely to bridge the potential cash flow mismatches in the near term.

Equity-like characteristics of rated debt instrument – The NCD being rated is issued to the company's promoters, which has equity-like characteristics.

Liquidity position: Stretched

The company's liquidity is stretched with high dependence on customer advances to meet the project expenses and redemption of NCDs. APGPHPL has negligible cash and bank balance as on February 28, 2024. However, its holding company APGIHPL, which is developing the Soho and Sky project, had free cash balance of ~Rs. 28 crore as on February 28, 2024.

Rating sensitivities

Positive factors – A rating upgrade is unlikely, given the characteristics of the debt instrument rated.

Negative factors – Significant delays in project execution and/or subdued collections impacting the cash flow from operations and/or increase in indebtedness impacting the company's financial risk profile would be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Realty – Commercial/Residential/Retail Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the consolidated financials of APG Premium Homes Private Limited (APGPHPL) and its holding company- APG Imperial Homes Private Limited (APGIHPL), given their significant business and financial linkages. I

About the company

APG Premium Homes Private Limited (APGPHPL), incorporated in July 2015, is a part of the Assetz Property Group. It has raised NCDs to meet the funding requirement for developing projects. The NCDs issued by APGPHPL have been subscribed by APG Premium Homes Pte. Limited (APGPH Pte. Ltd), servicing of which is expected to be done from the cash flows of the 'Soho and Sky' project. The project is being developed by APGPHPL's holding company, APG Imperial Homes Private Limited (APGIHPL) under a JDA. It has four phases – Phase 1a, Phase 1b, Phase 2a and Phase 2b with a total saleable area of 7.6 lakh sft, wherein APGIHPL has a share of 68%. Phase 1a of the project has been launched in October 2022. To align the NCD redemption with the project's cash flows, APGPHPL is proposed to be merged with the company developing the project, APGIHPL.

Key financial indicators (audited): Not applicable as it is a project stage company

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 on Feb 29, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 22, 2024	Mar 24, 2023	Mar 25, 2022	Mar 26, 2021
1 NCD	Long term	60.00^	47.00	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)

^ Includes Rs 10 crore of unplaced NCD

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture programme	Simple

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
INE851T08039	Non-convertible debenture programme	Dec 10, 2015	20%	Dec 9, 2025	50.00	[ICRA]BB- (Stable)
-	Non-convertible debenture programme*	-	-	-	10.00	[ICRA]BB- (Stable)

Source: Company; * not yet placed

Annexure II: List of entities considered for consolidated analysis – Not applicable

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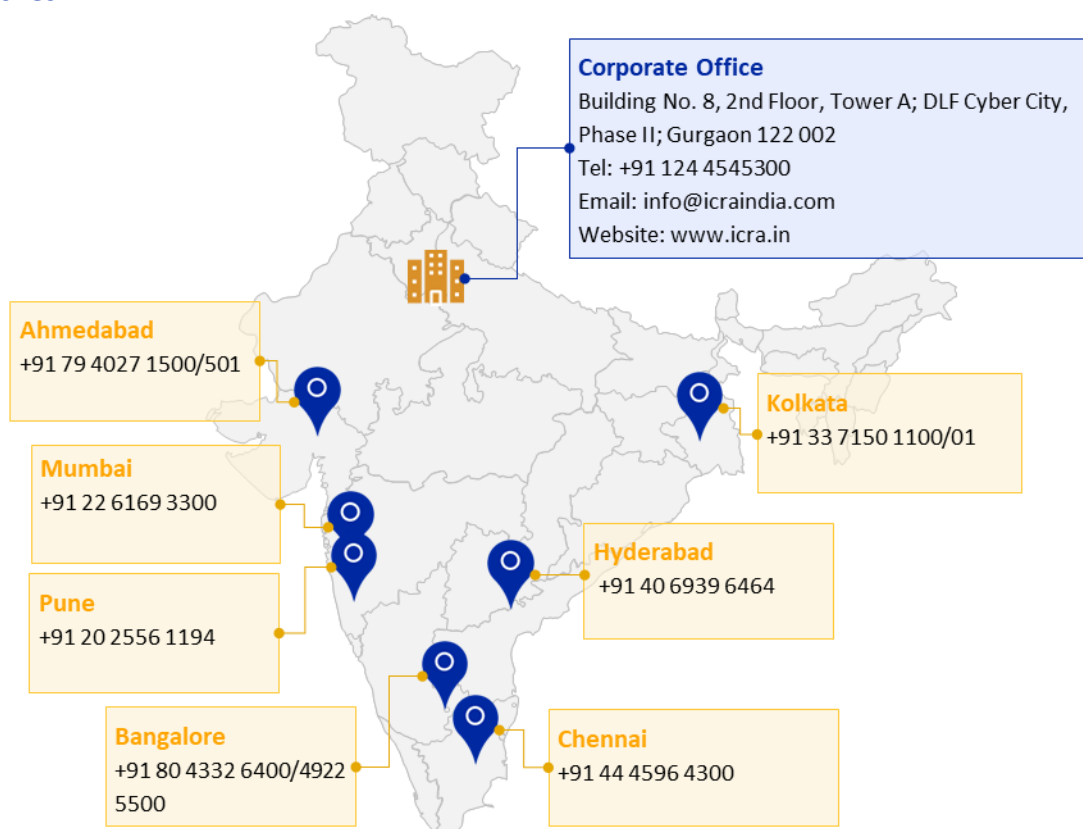


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