

September 04, 2024

Provident Meryta Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NCD	57.00	45.7*	[ICRA]BBB (Stable); reaffirmed
NCD^	3.0	3.0	[ICRA]BBB (Stable); reaffirmed
Total	60.00	48.7	

*Instrument details are provided in Annexure-I

*partial amount has been redeemed

^the proposed NCDs amounting to Rs.3.0 crore are issued

Rationale

The rating reaffirmation factors in the established parentage of Provident Cedar Private Limited (PCPL) and Provident Meryta Private Limited (PMPL), which are wholly-owned subsidiaries of Provident Housing Limited (PHL, rated [ICRA]A- with Stable outlook,) and a part of the Puravankara Group. The Puravankara Group has an established track record of more than three decades in the residential real estate market, primarily in the southern part of India with strong project execution capabilities. The Group has developed ~48 million square feet (msf) of area as of June 2024. PCPL and PMPL are developing a plotted residential land development project, 'Project Soukhyam', in adjoining land parcels, launched in March 2024 under the Purva Land vertical. The project is favourably located at Kayarambedu, in the Kancheepuram district of Chennai and the healthy demand for plotted projects enhances its marketability. The rating also factors in the healthy sales response in the projects, with ~48% of the area sold within four months of its launch. The cash flow adequacy¹ remained adequate at ~83% (combined) as of June 2024. ICRA expects the parent to provide timely financial support to PCPL and PMPL, for funding shortfall, if any, given their strategic importance for the parent and PHL's reputation sensitivity to default.

The rating is, however, constrained by the residual execution and market risks. As of June 2024, the construction progress (excluding land) stood at ~20%, thereby exposing it to execution risk. Although the project is ~48% sold, the company has collected ~15% of the sale value, exposing it to market risks. ICRA notes that the returns from the NCDs to the investors are variable depending on the cash flows realised from the project, though there is a minimum IRR of 12% guaranteed by the project sponsor, PHL, to the NCD investors. The rating is also constrained by the cyclical risk inherent in the real estate business, high geographical concentration risk with dependence on a single micromarket in Chennai for the project. Nonetheless, the Puravankara Group's strong track record of project execution and sales provides comfort.

ICRA notes the recent modification in the terms of redemption (from full to partial redemption by face value by the 28th of every month subject to collection) of the NCDs.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will benefit from the favourable project location, which should support healthy saleability and the established parent, which lends operational synergies and financial flexibility .

¹ Cash flow adequacy= Committed receivables/ (Pending cost + debt outstanding)

Key rating drivers and their description

Credit strengths

Strong promotor group with established track record lends financial flexibility – The Puravankara Group has a track record of over three decades in the real estate market, primarily in the southern part of India. It has presence in both the 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 ~48 msf as of June 2024, supported by involvement of reputed civil contractors. The Group has a strong presence in Bengaluru and has successfully diversified into new geographies such as Pune, Hyderabad and Mumbai, by gaining market share.

Favourable location of the project and healthy sales response – The Group has witnessed healthy demand for the plotted development projects launched under the Purva Land vertical. The project is located at Kayarambedu, in the Kancheepuram district of Chennai, which is ~6-8 km from the National Highway-32 and ~25 km from the Chennai airport. The company has sold 48% of the total area since its launch in March 2024. The cash flow adequacy remained adequate at ~83% (combined) as of June 2024.

Credit challenges

Exposure to execution and market risks – As of June 2024, the construction progress (excluding land) stood at ~20%, thereby exposing it to execution risks. Although the project is ~48% sold, the company has collected ~15% of the sale value, exposing it to market risks.

Geographical concentration risk and vulnerability to external factors – The real estate sector, being a cyclical industry, is dependent on macroeconomic factors, which in turn render the company's sales vulnerable to any downturn in demand.

Liquidity position: Adequate

PMPL's liquidity position is adequate, with cash and bank balance of Rs.11.3 crore as of June 2024. The estimated cash flows from operations are adequate to meet the principal and redemption premium. Further, the terms of the NCD allow the company to partially redeem the debentures (subject to collections), out of the revenue share from the project, on the 28th of every month. The parent is expected to provide funding support, in case a need arises.

Rating sensitivities

Positive factors – Given the characteristics of the rated instrument, the upgrade is unlikely.

Negative factors – The rating may be downgraded, if weak sales and/or collections results in deterioration of cash flow from operations. 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 Realty - Commercial/Residential/Retail
Parent/Group support	Provident Housing Limited (PHL) ICRA expects the parent, PHL, to provide timely financial support to PCPL and PMPL, for funding shortfall, if any, given their strategic importance for the parent and PHL's reputation sensitivity to default
Consolidation/Standalone	The rating is based on the combined business and financial profiles of Provident Cedar Private Limited (PCPL) and Provident Meryta Private Limited (PMPL). The two companies have acquired adjoining land parcels in Chennai, which are being developed as a single

project, albeit in a phased manner. Moreover, the NCDs issued for acquisition of land parcels and for construction of the project, have a common investor.

About the company

PMPL and PCPL are developing a plotted residential land development project, 'Project Soukhyam', located at Kayarambedu, in the Kancheepuram district of Chennai, in adjoining land parcels, with a combined land area of 51.6 acres. The project was launched in March 2024 under the Group's Purva Land vertical. The land parcels are being developed as a single project, albeit in a phased manner, and have ~1,100 units with a total saleable area of 1.37 million square feet (msf).

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

		Current (FY2025)		Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 04, 2024	Date	Rating	Date	Rating	Date	Rating
NCD	Long term	45.7	[ICRA]BBB (Stable)	Sep 25, 2023	[ICRA]BBB (Stable)	-	-	-	-
NCD [^]	Long term	3.0	[ICRA]BBB (Stable)	Sep 25, 2023	[ICRA]BBB (Stable)	Sep 27, 2022	[ICRA]BBB (Stable)	-	-

[^]the proposed NCDs amounting to Rs.3.0 crore are issued

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	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
INE0NF807017	NCD	14 October 2022	Zero	13 April 2028	45.7	[ICRA]BBB (Stable)
INE0NF807025	NCD	21 February 2024	Zero	30 October 2029	3.0	[ICRA]BBB (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Remarks	Consolidation Approach
Provident Cedar Private Limited	Group entity*	Full consolidation

*Wholly owned subsidiary of PHL

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