December 05, 2024

# Puri Construction Private Limited: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Short-term - Non-fund based – Bank guarantee | 65.00 | 125.00 | [ICRA] A2: Reaffirmed |
| Long-term - Unallocated Limits | 211.89 | 151.89 | [ICRA] BBB+ (Stable); reaffirmed |
| Short-term - Unallocated Limits | 23.11 | 23.11 | [ICRA] A2: Reaffirmed |
| **Total** | **300.00** | **300.00** | |

**Instrument details are provided in Annexure-I*

## Rationale

The rating reaffirmation for Puri Construction Private Limited (PCPL) factors in the expected healthy growth in collections and cash flow from operations in FY2025, as well as strong leverage metrics. PCPL's sales were at around Rs. 950 crore in FY2024, driven by healthy sales velocity from its ongoing projects and newly launched project, Diplomatic Residencies and it is further estimated to grow by about 80%-90% in FY2025. This along with healthy construction progress is likely to result in an increase in PCPL's collections by about 65%-75% in FY2025 (PY: Rs. 316 crore). The cash flow adequacy ratio[1] remained healthy at 76% as of June 2024 (PY: 162%), driven by healthy committed receivables of Rs. 1,826 crore against pending construction cost of Rs. 2,379 crore and nil external debt outstanding, along with completed inventory and pending committed receivables from its completed projects. The leverage metrics are expected to remain strong as of March 2025 and March 2026, backed by healthy cash flow from operations, along with minimal dependence on external debt. The company has significant land bank with expected saleable area of around 10 million square feet (msf), which is favourably located in Gurugram (Dwarka Expressway), and provides visibility of further launches over the medium term. The ratings favourably factor in PCPL's strong parentage with a track record in the of over four decades in the real estate and construction business.

The ratings are, however, constrained by the company's moderate scale of operations and exposure to geographical concentration risks with most of its ongoing projects and land bank located in Faridabad and Gurugram region. Further, it has launched two projects over the past 2 years, along with one new launch expected over the next 12 months, thereby exposing the company to execution, market and funding risks for its ongoing as well as upcoming projects. The project cost is likely to be funded mainly through the customer advances with limited dependence on external debt or internal accruals. While the sales response to its projects has been encouraging in the past, any decline in demand trends may adversely impact the cash flow position. Nevertheless, PCPL's long and established track record in the National Capital Region (NCR) provides comfort. Moreover, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand and competition within the region from various established developers.

The Stable outlook on PCPL's rating reflects ICRA's expectation that the company will benefit from the healthy sales and collections from its ongoing as well as new launched in the project, while maintaining low debt levels and strong leverage.

## Key rating drivers and their description

### Credit strengths

**Expected improvement in sales and collections in FY2025 –** The company witnessed healthy sales velocity in its projects as it sold around Rs. 950 crore in FY2024, driven by healthy sales velocity from its ongoing projects and newly launched project,

[1] *Cashflow Adequacy Ratio = Committed Receivables/ (Pending Cost + Total External project Debt)*

Diplomatic Residencies and it is further estimated to grow by about 80%-90% in FY2025. This along with healthy construction progress is likely to result in an increase in PCPL's collections by about 65%-75% in FY2025 (PY: Rs. 316 crore).

**Healthy cash flow adequacy ratio and strong leverage** – The cash flow adequacy ratio remained healthy at 76% as of June 2024 (PY: 162%), driven by healthy committed receivables of Rs. 1,826 crore against pending construction cost of Rs. 2,379 crore and nil debt outstanding with the company. The leverage metrics are expected to remain strong as of March 2025 and March 2026, backed by healthy cash flow from operations, along with minimal dependence on external debt.

**Experienced promoters with established track record of execution** – PCPL was established in February 1971 and has a track record of over four decades in real estate and construction business. The promoters have successfully completed multiple projects in the NCR covering more than 8 msf of area across residential, commercial, and retail segments.

**Finished inventory and fully-paid for land bank provides financial flexibility** – The company has completed inventory from its projects, along with pending committed receivables, which is likely to generate surplus cash flows in the medium term. Moreover, PCPL has significant land bank with expected saleable area of around 10 msf, which is favourably located in Gurugram (Dwarka Expressway), and provides visibility of further launches over the medium term.

### Credit challenges

**Moderate scale of operations and exposure to geographical concentration risk –** PCPL's current scale of operations remains moderate, and the operations are concentrated primarily in the Gurugram and Faridabad real estate market, which exposes it to geographical concentration risks. Any adverse cycles in the real estate markets in these regions can impact the execution and sales level of its projects.

**High execution, market and funding risks –** The company has launched two projects over the past 2 years, along with one new launch expected over the next 12 months, thereby exposing it to execution, market and funding risks for its ongoing as well as upcoming projects. The project cost is likely to be funded mainly through the customer advances with limited dependence on external debt or internal accruals.

**Exposure to cyclicality in real estate business –** The residential real estate sector, being cyclical in nature is highly dependent on macro-economic factors, which exposes the sales to any downturn in demand and competition within the region from various other developers.

## Liquidity position: Strong

PCPL's liquidity position is strong on the back of healthy unencumbered cash and bank balances of Rs. 131 crore as of March 2024 and healthy cash flow adequacy ratio of 76% as of June 2024. The collections from the projects, along with unsold completed inventory, are expected to meet its pending construction costs. At present, the company does not have any external debt outstanding.

## Rating sensitivities

**Positive factor –** The ratings could be upgraded in case of significant improvement in scale of operations, along with diversification in business profile, while maintaining healthy leverage position and liquidity profile.

**Negative factor –** Pressure on the ratings could emerge in case of a significant decline in scale or profitability, delays in project execution, or significant unbudgeted investments, leading to deterioration in the liquidity or capital structure. Further, a drop in cash flow adequacy ratio below 50%, on a prolonged basis, will be a negative trigger.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | [Corporate Credit Rating Methodology](#)<br>[Realty – Commercial/Retail/Residential](#) |
| **Parent/Group support** | Not applicable |

| Consolidation/Standalone | Standalone |
|---|---|

## About the company

PCPL was incorporated in 1971. It was converted into a limited company in 1997 and was then converted into a private limited company in August 2006. The company, promoted by Mr. Mohinder Singh Puri, started as a civil construction contractor and later diversified into the real estate business. It has developed multiple real estate projects in the NCR across residential, commercial and retail segments and its current projects are located in the Greater Faridabad area, in Faridabad, and off Dwarka Expressway, in Gurugram. The company has developed more than 7 msf of area across various segments as of March 2024.

### Key financial indicators (audited)

| PCPL – Standalone | FY2023 | FY2024 |
|---|---|---|
| **Operating income** | 301.6 | 263.1 |
| **PAT** | 39.8 | 44.8 |
| **OPBDIT/OI** | 18.2% | 23.7% |
| **PAT/OI** | 13.2% | 17.0% |
| **Total outside liabilities/Tangible net worth (times)** | 1.6 | 1.4 |
| **Total debt/OPBDIT (times)** | - | - |
| **Interest coverage (times)** | 18.6 | 88.7 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation.*

### 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 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | FY2025 | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount Rated (Rs. crore) | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| **Non-fund based bank facilities** | Short Term | 125.00 | December 05, 2024 | [ICRA] A2 | September 19, 2023 | [ICRA] A2 | August 02, 2022 | [ICRA] A2 | July 15, 2021 | [ICRA] A2 |
| **Unallocated Limits** | Long Term | 151.89 | December 05, 2024 | [ICRA] BBB+ (Stable) | September 19, 2023 | [ICRA] BBB+ (Stable) | August 02, 2022 | [ICRA] BBB+ (Stable) | July 15, 2021 | [ICRA] BBB+ (Stable) |
| **Unallocated Limits** | Short Term | 23.11 | December 05, 2024 | [ICRA] A2 | September 19, 2023 | [ICRA] A2 | August 02, 2022 | [ICRA] A2 | July 15, 2021 | [ICRA] A2 |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| **Short-term - Non-fund based – Bank guarantee** | Very Simple |
| **Long-term - Unallocated Limits** | Not Applicable |
| **Short-term - Unallocated Limits** | 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 | Short-term - Non-fund based – Bank guarantee | - | - | - | 125.00 | [ICRA] A2 |
| NA | Long-term - Unallocated Limits | - | - | - | 151.89 | [ICRA]BBB+ (Stable) |
| NA | Short-term - Unallocated Limits | - | - | - | 23.11 | [ICRA] A2 |

*Source: Company*

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

## ANALYST CONTACTS


**Ashish Modani**
+91 20 6606 9912
ashish.modani@icraindia.com

**Anupama Reddy**
+91 40 6939 6427
anupama.reddy@icraindia.com

**Sweta Shroff**
+91 124-4545 307
sweta.shroff@icraindia.com

**Yash Garg**
+91 124-4545 337
yash.garg@icraindia.com


## RELATIONSHIP CONTACT


**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com


## MEDIA AND PUBLIC RELATIONS CONTACT


**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com


## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## About ICRA Limited:

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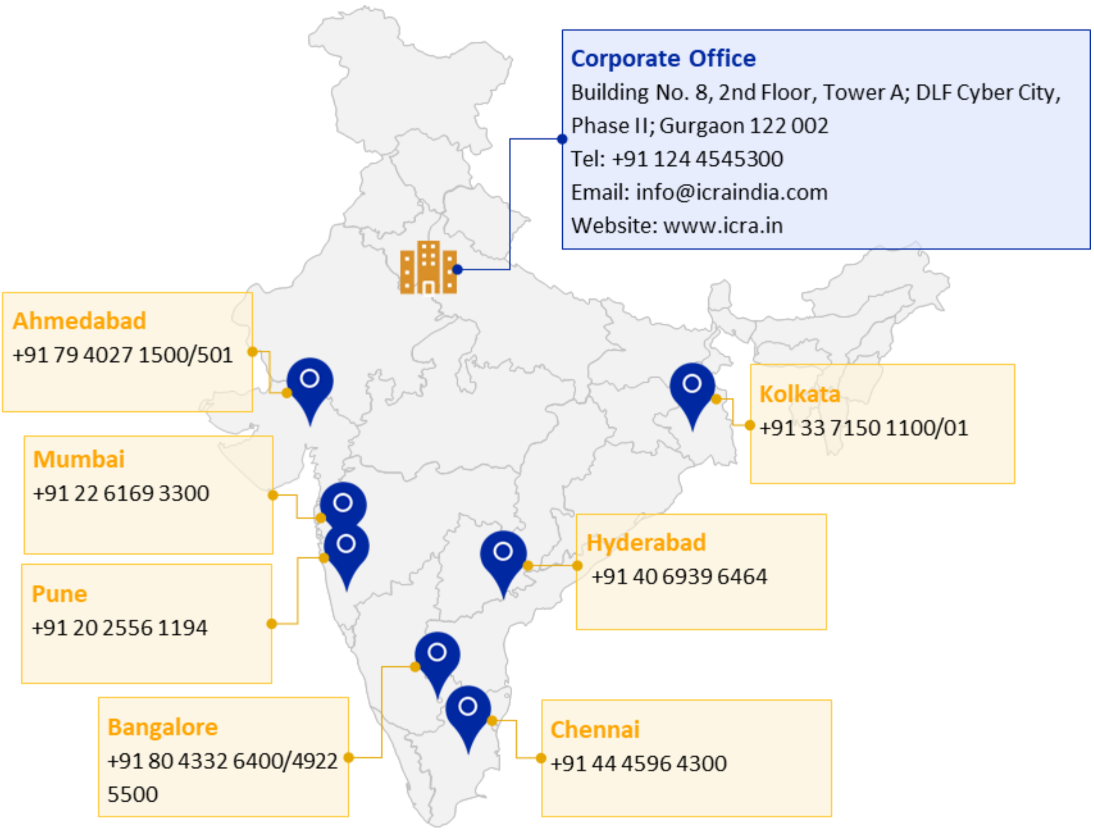
# ICRA Limited

## Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

## Branches



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