

January 17, 2023

Picard Angst India Private Limited: Rating assigned

Summary of rating action

| Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|------------------------------------|-------------------------------------|---------------------------|
| Non-convertible Debentures (NCDs)* | 195.00 | [ICRA]B(Stable); Assigned |
| Total | 195.00 | |

*Instrument details are provided in Annexure-I, **Proposed

Rationale

The assigned rating factors in the favourable location of the proposed residential project of Picard Angst India Private Limited (PAIPL) in the prime western suburb Santacruz, with proximity to key commercial areas in Mumbai. The rating is, however, constrained by the company's exposure to high execution risk, with PAIPL in the process of procuring the land for developing the project, post which it will prepare a detailed plan and will seek the requisite approvals for commencement of construction work. The project cost (excluding interest cost) of Rs. 176.6 crore is proposed to be funded by NCDs of Rs. 122 crore (69%), which will be subscribed by the parent company, and customer advances of Rs. 54.6 crore (31%). The proposed NCDs will have a five-year tenure and will carry a coupon of 18% per annum, payable at the end of the tenure. The company is exposed to refinancing risks with the proposed NCDs having a bullet repayment for 100% of the NCD amount at the end of its five-year tenure (FY2028). The project faces high market risks as the sales are yet to be launched. Besides, the rating is constrained by the high geographical risk inherent in single-project companies and the cyclicity in the real estate industry, which could impact PAIPL's sales as well as profitability.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to achieve adequate bookings, given the favourable location of the project.

Key rating drivers and their description

Credit strengths

Favourable location of the project - The project is located in Santacruz, which is a prime western suburb in Mumbai for residential projects and is also a commercial hub. Moreover, it shares proximity to key commercial areas in Mumbai.

Credit challenges

Exposure to project execution and market risks - The project is at a nascent stage with only the binding agreement for procuring the land for developing the project being signed as on date, exposing it to significant execution risks with respect to time and cost overrun. The procurement of land is in the process, post which the company will prepare a detailed plan and will seek the requisite approvals for commencement of construction work. With the project yet to be launched commercially, the market risk remains high and timely inflow of advances remains important for successful completion of the project.

Exposure to risks and cyclicity in India's real estate sector - The real estate sector is cyclical and 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, which in turn render the company's sales vulnerable to any downturn in demand and competition within the region from various established developers. The risks are heightened by the dependence on a single micro-market for sales and revenues.

Refinancing risk at maturity for the proposed NCDs - The project cost (excluding interest cost) of Rs. 176.6 crore is proposed to be funded by NCDs of Rs. 122 crore (69%), which will be subscribed by the parent company, and customer advances of Rs. 54.6 crore (31%). The proposed NCDs will have a five-year tenure and will carry a coupon of 18% per annum, payable at the end of the tenure. The company is exposed to refinancing risks with the proposed NCDs having a bullet repayment for 100% of the NCD amount at the end of its five-year tenure (FY2028).

Liquidity position: Stretched

PAIPL's liquidity position remains stretched, with a cash balance of Rs. 0.44 crore as on March 31, 2022. The proposed NCDs for developing the project are yet to be raised. The project is yet to be launched, given which there have not been any bookings and collections of customer advances as on date.

Rating sensitivities

Positive factors - Healthy bookings and collections from the project leading to improved cash flows and debt coverage indicators could lead to a rating upgrade.

Negative factors - Any cost overrun or unforeseen delay in completing the project could exert pressure on the company's ratings. Considerable delays in bookings leading to subdued collections may also warrant a rating downgrade.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Rating Methodology for Real-estate entities |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | The rating is based on the company's standalone financial statements |

About the company

Picard Angst India Private limited (PAIPL) was set up in 2019 for undertaking/supervising construction activities within the real estate sector in India. It is a 100% subsidiary of Luxembourg REO Company SARL (Luxembourg REO), which is a Luxembourg-based real estate investment company. Luxembourg REO was incorporated in 2018 with the objective of making investments in real estate assets across the globe with PAIPL being the first investment venture. PAIPL has its registered office in Delhi.

Key financial indicators (audited)

| PAIPL | FY2021 | FY2022 |
|--|--------|--------|
| Operating income | - | - |
| PAT | -0.1 | -0.1 |
| OPBDIT/OI | - | - |
| PAT/OI | - | - |
| Total outside liabilities/Tangible net worth (times) | 0.4 | 0.3 |
| Total debt/OPBDIT (times) | - | - |
| Interest coverage (times) | - | - |

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

Note: PAIPL was incorporated in 2019, however, no business activities have been undertaken over the past three years.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current rating (FY2023) | | Chronology of rating history for the past 3 years | | | |
|-------------------------------------|-----------|--------------------------|--|---|-------------------------|-------------------------|-------------------------|
| | | Amount rated (Rs. crore) | Amount outstanding as on December 31, 2022 (Rs. crore) | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2020 | Date & rating in FY2019 |
| | | | | Jan 17, 2023 | | | |
| 1 Non-convertible Debentures (NCDs) | Long term | 195.0 | - | [ICRA]B (Stable) | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|-----------------------------------|----------------------|
| Non-convertible Debentures (NCDs) | 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 |
|------|--|------------------|-------------|----------|--------------------------|----------------------------|
| - | Non-convertible Debentures (NCDs) | NA* | NA | NA | 195.0 | [ICRA]B(Stable) |

Source: Company, *Not available as the debentures are yet to be issued

Annexure II: List of entities considered for consolidated analysis- N.A.

ANALYST CONTACTS

Rajeshwar Burla

+91 40 45474829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 45474829

anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Nijara Kalita

+91 22 6114 3455

nijara.kalita@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

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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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