

March 01, 2017

Pride & Expert Properties Pvt. Ltd.

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long Term; Cash Credit	20.0	[ICRA]BB (Stable); reaffirmed
Long Term; Unallocated	20.0 (reduced from 40.0)	[ICRA]BB (Stable); reaffirmed

**Instrument details are provided in Annexure-1*

Rating Action

ICRA has reaffirmed the long-term rating at [ICRA]BB (pronounced as ICRA double B)¹ assigned to the Rs. 20.0 crore cash credit facilities and Rs. 20.0 crore (reduced from 40.0) unallocated limits of Pride & Expert Properties Pvt Ltd (PEPPL). The outlook on the long-term rating is 'Stable'.

Rationale

The rating reaffirmation draws comfort from comfortable capital structure and debt coverage metrics of the company as indicated by gearing of 0.24 times as on March 2016. These apart, the rating continues to positively factor in company's model of entering into Joint Development Agreements (JDAs) and revenue sharing model with the landowners, which reduces the requirement for upfront capital investment. The rating continues to draw comfort from the Pride Group's established track record in Pune, Mumbai and Bangalore real estate markets and the long-standing experience of its promoters in the real estate industry. The rating also factors in the expected revenues of Rs. 30 crore for the project management consultancy, offered by PEPPL for a real estate project, which would support the construction progress for ongoing projects; and the healthy collection efficiency for majority of its on-going projects which results in timely cash flows. The rating, however, is constrained by the slow sales velocity as well cost progression witnessed in the Pride Springfields, Pride Enchanta and Pride Palatia project since the last rating exercise. Considering that there is significant cost yet to be incurred in the Enchanta project second phase and Pride Palatia which were launched in January 2017, the ability to improve the sales velocity is critical to maintain adequate level of customer advances to fund the balance cost. The rating is also constrained by the exposure to market and execution risk for the recently launched projects and the upcoming project of the company, 'Pride Optima', which has significant saleable area of 2.2 million sq ft and is expected to be launched in April 2017. Being the flagship company of the group, PEPPL has significant investments and loans and advances to group companies (Rs 35.81 crore as on March 2016). Going forward, the ability of the company to achieve healthy sales for the ongoing projects, while completing them in a timely manner, would be the key rating sensitivities.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit Strengths

- Comfortable capital structure and debt coverage metrics as indicated by gearing of 0.24 times as on March 2016
- Company's model of entering into Joint Development Agreements (JDAs) and revenue sharing model with the landowners, which reduces the requirement for upfront capital investments
- Pride Group's established track record in Pune, Mumbai and Bangalore real estate markets and the long-standing experience of its promoters in the real estate industry
- Expected revenues of Rs. 30 crore for the project management consultancy offered by PEPPL for a real estate project, which would support the construction progress for ongoing projects
- Healthy collection efficiency for majority of its on-going projects which results in timely cash flows

Credit Weakness

- Slow sales velocity as well cost progression witnessed in the Pride Springfields, Pride Enchanta and Pride Palatia project since the last rating exercise
- Significant cost yet to be incurred in the Enchanta project second phase and Pride Palatia which were launched in January 2017, the ability to improve the sales velocity is critical to maintain adequate level of customer advances to fund the balance cost
- Exposure to market and execution risk for the recently launched projects and the upcoming project of the company, 'Pride Optima', which has significant saleable area of 2.2 million sqft and was expected to be launched in April 2017
- PEPPL being flagship company of the Pride group has given significant advances to other group companies, any increase in support to other group companies could constrain the financial flexibility of the company

Description of key rating drivers highlighted above:

PEPPL is a part of the Pride group, one of the largest real estate developers in Pune with a long track record of about 22 years of property development. The group has an established position in the residential & commercial segment of the Pune real estate market. It has developed about 3 million sqft of built-up area in Pune, Bangalore & Mumbai. The company's takes up most of its projects in JDA with the landowner wherein the land is held by the owner and the company completes the construction activity, which reduces the upfront capital investment. The company has three ongoing projects – Pride Springfields, Pride Enchanta and Pride Palatia, with a fourth project which is expected to be launched shortly - Pride Optima. The cost and sales progression on the ongoing projects is slow since last rating exercise. The total balance cost to be incurred on the going projects is ~Rs. 172 crore, which is 52% of total cost; hence the company is exposed to significant execution risk. However, healthy collection efficiency for majority of its on-going projects results in timely cash flows. The company is expected to receive revenues of Rs. 30 crore for the Project Management Consultancy offered by PEPPL for Pride Wilasa project, which would support to fund the pending cost of ongoing projects

Links to applicable Criteria

Corporate Credit Ratings: A Note on Methodology

ICRA Rating Methodology: Real Estate Entities

About the Company:

PEPPL is a part of the Pride Group, which was established in 1993 and is currently headed by Mr Arvind P Jain. The group has a presence in Bangalore, Pune and Mumbai, and in the last 20 years it has developed more than 3 million sqft of space in these cities. It has completed projects both in the commercial and residential segment, that include 3 commercial projects, with a total built-up area of 0.25 million sq. ft and two residential projects with total built-up area of 0.35 million sq. ft. The company is currently developing three residential projects in Bangalore with total saleable area of 1.42 million sq. ft. with total estimate cost of Rs. 333 crore.

The company reported a net profit of Rs 3.99 crore on an operating income of Rs 35.44 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years:

Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
1	Cash Credit	Long term	20.0	Mar 2017	Feb 2016	Jan 2015	Nov 2013
				[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Unallocated	Long term	20.0	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Fund based – Cash Credit	-	-	-	20.0	[ICRA]BB (Stable)
Unallocated limits	-	-	-	20.0	[ICRA]BB (Stable)

Source: Pride & Expert Properties Pvt Ltd

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