

Piramal Sunteck Realty Private Limited ^{Revised}

January 22, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan - Proposed	100.0	100.0	[ICRA]A- (Stable); Upgraded from [ICRA]BBB (Stable)
Total	100.0	100.0	

Rating action

ICRA has upgraded the long-term rating outstanding on the Rs. 100-crore¹ proposed term-loan facilities of Piramal Sunteck Realty Private Limited (PSRPL or the company) ² to [ICRA]A- (pronounced ICRA A minus) from [ICRA]BBB (pronounced ICRA triple B). The outlook on the long-term rating is 'Stable'.

Rationale

The upgrade in the rating favourably factors in the healthy progress on the company's 'Signia Waterfront' residential project in Airoli with construction work proceeding as per schedule and about 42% of the saleable area already sold as on date. The upgrade also factors in the improvement in the adequacy of committed cash flows (i.e. committed receivables/ (balance cost + debt outstanding)) at 50% as on November 30, 2017. The rating continues to consider the extensive experience of the joint venture (JV) partner viz. Sunteck Realty Limited in real estate development, and the enhanced financial flexibility due to the company's parentage (equal shareholding between Piramal Realty Private Limited and Sunteck Realty Limited). The company has already completed two residential projects, one of which in Airoli has been entirely sold. The rating also factors in the low regulatory risk faced by the under-construction project (Signia Waterfront) as all the approvals are in place for the construction of the project. The rating favourably considers good marketability of the project on the back of attractive location and successful track record in the same micro-market.

The rating, however, is constrained by project execution risks with about 70% of the total construction cost yet to be incurred; the project is expected to be completed by March 2021. The rating is further constrained by the exposure to market risks i.e. price risk and demand risk as 58% of the total saleable area is yet to be tied-up. The premium nature of development further intensifies demand risk. ICRA notes that timeliness of project construction and sales collections would remain important from credit perspective.

Outlook: Stable

ICRA believes Piramal Sunteck Realty Private Limited will continue to benefit from the project's attractive location and strong brand recognition. The outlook may be revised to 'Positive' if the project construction schedule remains on track and collection efficiency remains high. The outlook may be revised to 'Negative' if sales are lower-than-expected in the coming quarters or the company undertakes any new debt-funded projects.

¹ 100 lakh = 1 crore = 10 million

² 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

Strong business profile of the partners viz. Sunteck Realty Limited and Ajay Piramal Group – The company is a 50:50 JV between Sunteck Realty Limited and Ajay Piramal Group through Piramal Realty Private Limited. Sunteck Realty Limited has an extensive experience in real estate development with a portfolio of 25 projects having development potential of 23 mn sqft. It is also overseeing PSRPL's operations and project execution. Moreover, the company enjoys enhanced financial flexibility on the back of its strong parentage.

Low regulatory risk – The regulatory risk for the under-construction project, Signia Waterfront, remains low as all the statutory approvals are in place for the construction of the entire project.

Healthy sales achieved so far and good marketability of the project – The Signia Waterfront project cost of Rs. 254 crore was to be funded initially through 40% debt, 36% equity and the rest through customer advances. The company has already brought in entire equity requirement. It has also achieved healthy sales of Rs. 110 crore with 42% of its saleable area already sold. The location of the project remains attractive with creek-view facing apartments and easy connectivity with the other parts of Mumbai. The company's successful completion of a residential project in the micro-market in the past also provides good brand recognition. The adequacy of committed cash-flows for the Signia Waterfront project has improved to 50% as on November 30, 2017. The company had availed Rs. 30 crore term loan in FY2017 which it has repaid in the current year; thus, it has no bank loan outstanding on its books as on date. ICRA expects the reliance on bank loans to remain low if the company can sustain its current sales velocity and maintain healthy collection efficiency. The company has Rs. 188.5 crore of optionally convertible debentures as of March 2017 on its books which have been largely utilised for land acquisition and construction of completed projects. The OCDs were held by the promoters and the same has been redeemed subsequently in FY2018 and converted into debt.

Credit challenges

Exposed to project execution risk – The company has incurred Rs. 147.0 crore on the project as on November 30, 2017, including the land cost. On the construction cost alone, the company is yet to incur 70% of the same. The company has completed slab work till 9th floor. It expects to complete the project by March 2021. The project thus remains exposed to execution risks.

Exposed to market risk – The company is yet to tie-up sales for 58% of the total saleable area. The project is thus exposed to market risk i.e. price risk and demand risk given the premium nature of development.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Rating Methodology for Real Estate Entities](#)

About the company:

Piramal Sunteck Realty Private Ltd. (PSRPL) is a 50:50 joint venture (JV) between Sunteck Realty Limited and Piramal Realty Private Limited. Incorporated in 2007, PSRPL is engaged in real estate development in Maharashtra. The company has completed two residential projects namely Signia Skys, Nagpur and Signia Oceans, Airoli, Navi Mumbai. It is currently developing the third project— 'Signia Waterfront'—with total development potential of 2.91 lakh sq. ft., at Airoli. The project would be equipped with modern amenities including a swimming pool, amphitheatre, multipurpose court, gymnasium, party lawn etc.

Key financial indicators

	FY 2016	FY 2017
Operating Income (Rs. crore)	24.1	10.9
PAT (Rs. crore)	-2.8	-7.2
OPBDIT/ OI (%)	9.4%	-34.0%
RoCE (%)	-1.3%	-1.5%
Total Debt/ TNW (times)	2.8	2.2
Total Debt/ OPBDIT (times)	132.1	-60.3
Interest coverage (times)	0.2	-1.9

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2018)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating January 2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
1 Long Term – Unallocated	Long Term	100.00	0.00	[ICRA]A- (Stable)	[ICRA]BBB (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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan – Proposed	NA	NA	NA	100.00	[ICRA]A- (Stable)

Source: Company

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