

Piramal Realty Private Limited

March 22, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	350.00	350.00	[ICRA]AA- (SO) (Stable); upgraded from [ICRA]A+(SO) (Stable)
Total	350.00	350.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has upgraded the long-term rating of assigned to Rs. 350.00 crore¹ Non-Convertible Debenture programme of Piramal Realty Private Limited (PRPL) to [ICRA]AA- (SO) (pronounced ICRA double A minus Structured Obligation) from [ICRA]A+ (SO) (pronounced ICRA A plus Structured Obligation)². The outlook on the long term rating is stable.

The letters 'SO' in parenthesis, suffixed to a rating symbol, stands for 'Structured Obligation'. An SO rating is specific to the rated issue, its terms, and its structure. Such SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

Rationale

The NCDs of Rs. 350 crore would be backed by an unconditional, irrevocable and continuing guarantee by The Sri Krishna Trust (SKT) that would cover all obligations that may arise on the rated NCDs. The rating is based on the strength of this guarantee from SKT, the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment on the rated NCDs, as per the terms of the transaction. The rating is subject to fulfilment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

SKT is the largest shareholder with 43.71% stake in Piramal Enterprises Limited (PEL; rated [ICRA]AA(Stable)). The rating upgrade factors the improved credit profile of the key operating entities in the Piramal Group i.e. PEL and Piramal Finance Limited (PFL; 100% subsidiary of PEL; rated [ICRA]AA(Positive)) following substantial capital raise (~Rs. 7000 crore in PEL, out of which ~Rs. 5000 crore has been allocated to PFL), and consequently the improved financial flexibility of SKT basis its shareholding in PEL.

Outlook: Stable

The outlook may be revised if there is a change in ICRA's internal rating view on The Sri Krishna Trust (SKT)

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

- Guarantee from The Sri Krishna Trust (SKT)
- Payment mechanism designed to ensure timely payment to the NCD investors
- SKT holds around 43.7% shareholding in Piramal Enterprises Limited (PEL) (rated [ICRA]AA(Stable)/[ICRA]A1+) and is the single largest shareholder in PEL

Description of key rating drivers highlighted above:

The NCD of Rs. 350 crore would have a scheduled tenor of 36 months from the deemed date of allotment. The principal amount on the NCDs would be payable in one bullet installment on the scheduled maturity date and coupon shall be payable on a quarterly basis. The guarantee from SKT would cover all Issuer obligations that may arise on the rated NCDs. The payment mechanism is designed to ensure timely payment to the NCD investors, as per the terms of the transaction.

The rating for the NCDs is based on the strength of unconditional, irrevocable and continuing guarantee by SKT. The transaction also envisages an external borrowing cap on SKT linked to the market value of the free and unencumbered shares of PEL, which provides further comfort.

Analytical approach: For arriving at the rating, ICRA has taken into account the unconditional and irrevocable guarantee from SKT that would cover all the repayment obligations to the NCD holders as per the terms of the transaction.

Links to applicable criteria:

[Approach for rating debt instruments backed by third-party explicit support](#)

About the Issuer:

PRPL was setup in 2010 and has its presence in the real estate sector through its subsidiaries/LLPs which have projects housed in it both in the residential as well as commercial segments namely in Thane, Mulund, Byculla and Kurla. The sole shareholder for PRPL is Sri Gopikrishna Trust which is another trust company under the Piramal Group.

About the Guarantor:

The Sri Krishna Trust (SKT) was incorporated in 2005 for managing the investment holdings of the promoters in Piramal Enterprises Limited (PEL; rated [ICRA]AA(Stable)/[ICRA]A1+) and Piramal Phytocare Limited (PPL). Mr. Ajay Piramal and Dr. Swati Piramal are the trustees of SKT. As on March 22, 2018 the promoter group holding in PEL is 51.39% (out of which 43.71% is held via SKT) and in PPL is 56.08% (out of which 33.10% is held via SKT).

Key financial indicators of SKT:

	FY2016	FY2017
Operating Income (Rs. crore)	334.86	0.00
PAT (Rs. crore)	315.10	-0.02
OPBDIT/ OI (%)	100.00%	-
RoCE (%)	42.76%	-
Total Debt/ TNW (times)	0.08	-
Total Debt/ OPBDIT (times)	0.17	-
Interest coverage (times)	17.00	-
NWC/ OI (%)	-	-

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)	March 2018	Date & Rating				Date & Rating in FY2017		Date & Rating in FY2016	Date & Rating in FY2015	
					January 2018	October 2017	June 2017	March 2017	Sep 2016	-	Jan 2015	Dec 2014	
1 Non-Convertible Debenture Programme	Long-term	350.0	350.0	[ICRA] AA-(SO) (Stable)	-	[ICRA] A+ (SO) (Stable)	[ICRA] A+ (SO) (Stable)	Provisional [ICRA] A+ (SO) (Stable)	-	-	-	-	
2 Non-Convertible Debenture Programme	Long-term	250.0	0.00	-	Provisional [ICRA] A+ (SO) (Stable); Withdrawn	Provisional [ICRA] A+ (SO) (Stable)	-	Provisional [ICRA] A+ (SO) (Stable)	-	-	-	-	
3 Non-Convertible Debenture Programme	Long-term	300.0	0.00	-	[ICRA] A+ (SO) (Stable); Withdrawn	[ICRA] A+ (SO) (Stable)	-	-	[ICRA] A+ (SO) (Stable)	-	[ICRA] A+ (SO) (Stable)	[ICRA] A+ (SO)! (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
INE680R08012	Non-Convertible Debenture Programme	Mar-17	9.50%	Mar-20	350.00	[ICRA]AA-(SO) (Stable);

Source: Piramal Realty Private Limited

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About ICRA Limited:

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