

August 20, 2019

Prachay Capital Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
CC Facility	12.50	12.50	[ICRA]BB+(SO)(Stable); reaffirmed
Term Loan	12.50	12.50	[ICRA]BB+(SO)(Stable); reaffirmed
Total	25.00	25.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation takes into account the unconditional corporate guarantee extended by MPDPL (rated [ICRA]BB+(Stable)). The guarantee covers all obligations that may arise on the rated bank facilities. The rating is principally based on a corporate guarantee from MPDPL and an undertaking from the guarantor ensuring that the debt obligations will be serviced on or before the due date, irrespective of the invocation of the guarantee by the beneficiary. If MPDPL revokes or discontinues the guarantee, the rating will not apply to any incremental exposure after the revocation or discontinuation notice is sent by MPDPL.

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

Outlook: Stable

The outlook may be revised if there is a change in the rating outlook of guarantor, MPDPL.

Key rating drivers

The rating is solely based on the corporate guarantee that has been executed by MPDPL, the flagship company of the Mantra Group's real estate business. The guarantee covers all obligations that may arise on the rated bank facilities.

Liquidity position

As the holding company, MPDPL generates limited operational cash flows and depends on the repatriation of profits from its investee companies or funding from the promoters. While MPDPL does not have any external borrowings, it has provided corporate guarantees to its Group companies. Any invocation of the corporate guarantees may increase dependence on the withdrawal of surpluses from real estate special purpose vehicles (SPVs) or unsecured loans from the promoters.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: NA The rating is based on the unconditional and irrevocable corporate guarantee from MPDPL
Consolidation / Standalone	The rating is based on the standalone financials of PCPL

About the company

Prachay Capital Private Limited (PCPL; formerly known as Pracaya Financial Services Private Limited) is a registered non-banking financial company (NBFC) with the Reserve Bank of India vide Certificate No. N-13. 02198 dated August 11, 2017. PCPL is headquartered in Pune, Maharashtra and functions as a localized NBFC providing secured short and medium-term funding to small regional businesses, mostly real estate developers.

The company reported a profit after tax (PAT) of Rs 1.21 crore in FY2019 on a managed asset base of Rs. 37.88 crore as on March 31, 2019 vis-à-vis PAT of Rs. 0.30 crore in FY2018 on a managed asset base of Rs. 13.19 crore as on March 31, 2018. The company had NIL gross and net NPAs as on March 31, 2019 while capital adequacy was 26.68%.

Key financial indicators (audited)

	FY2018	FY2019
Total Income (Rs. crore)	0.87	4.65
Profit after Tax (Rs. crore)	0.30	1.21
Net Worth (Rs. crore)	4.30	10.01
Loans and Advances (Rs. crore)	10.65	36.98
Gearing (times)	2.03	2.72

All ratios as per ICRA calculations

About the guarantor

Mantra Properties and Developers Private Limited is a holding company of the Mantra Group's real estate business. The Mantra Group is promoted by the family of Late Puranchand Kishorilal Gupta. The Group entered into the real estate business in 2006 and has completed the development of around 1.9 mn sqft of area over the last decade. It has around 4.7 mn sqft of area under development at present. The Group is now developing 11 residential real-estate projects in Pune, with each project being developed through a separate SPV.

Key financial indicators

	FY2017	FY2018
Operating Income (Rs. crore)	18.5	39.1
PAT (Rs. crore)	6.0	19.3
OPBDIT/OI (%)	38.2%	49.6%
RoCE (%)	10.5%	22.7%
Total Debt/TNW (times)	12.0	-21.1*
Total Debt/OPBDIT (times)	10.4	5.0
Interest Coverage (times)	7.3	316.8

Source: MPDPL, ICRA research; All ratios as per ICRA calculations

* Tangible net-worth was negative in FY2018 on account of reversal of revaluation reserve created in one of the investee firm's accounts

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Current Rating (FY2020)					Chronology of Rating History for the Past 3 Years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating August 2019	Date & Rating in FY2019		Date & Rating in FY2018	Date & Rating in FY2017	
					October 2018	June 2018			
1	Fund-based CC facility	Long Term	12.50	12.50	[ICRA]BB+(SO) (Stable)	[ICRA]BBB-(SO) (Stable)	Provisional [ICRA]BBB-(SO) (Stable)	-	-
2	Term loans	Long Term	12.50	12.50	[ICRA]BB+(SO) (Stable)	[ICRA]BBB-(SO) (Stable)	Provisional [ICRA]BBB-(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 Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based - CC facility	21.08.2018	NA	NA	12.50	[ICRA]BB+(SO) (Stable)
NA	Term loans	21.08.2018	NA	69 months*	12.50	[ICRA]BB+(SO) (Stable)

Source: ICRA

* The term loan has a door-to-door tenor of 69 months from the date of first disbursement

Annexure-2: List of entities considered for consolidated analysis

NA

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