

Press Release

Prakshi Infraestate Private Limited (PIPL)

February 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.18.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) to the abovementioned bank facilities of Prakshi Infraestate Private Limited (PIPL). The outlook is '**Stable**'.

The Agra-based Prakshi Infraestate Private Limited (PIPL) is engaged in the construction of residential-cum-commercial complexes, highways, bridges and other infrastructure.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and second line of management: PIPL was incorporated in 2010 by Mr. Mukesh Chand and Mr. Satish Kumar (Directors) who possess extensive experience in the real estate industry.

Advanced stage of construction and healthy bookings: Work on Prakshi Tower is in an advanced stage with over ~85 percent construction having been completed and ~76 percent of the total area being booked. The company has received advance of Rs. 5.25 crore till November 2016. Another of the projects, Prakshi Enclave registered 100 per cent booking. However, the execution and sale of the flats of Prakshi Tower would be a key rating factor as delays would impinge the future cash flow of the company.

Moderate financial risk profile: The moderate financial risk profile is marked by gearing of 1.30 times as on March 31, 2016 against 1.60 percent in FY2014-15. The interest coverage ratio stood moderate at 1.24 times in FY2015-16 against 1.21 times in FY2014-15. The operating margin improved to 26.22 per cent in FY2015-16 against 19.89 per cent in FY2014-15. The operating income stands at Rs.4.15 crore in FY2015-16, an improvement from Rs.2.75 crore in FY2014-15. The company achieved operating income of Rs.21.20 crore till September 2016.

Weaknesses:

Competitive and slowdown in the real estate sector: The company is exposed to intense competition in the real estate sector.

Nascent stage of construction: SMERA notes that the upcoming project, Prakshi Avenue is in its nascent stage of construction and exposed to funding and offtake risk. Any delay in project completion and execution is expected to impinge upon future cash flows of the company.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of PIPL.

Applicable Criteria

- Infrastructure Entities: <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that PIPL will maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' if the company generates steady cash flows from timely receipt of customer advances and successful sale of flats. Conversely, the outlook may be revised to 'Negative' in case of liquidity pressure arising from delays in project execution and receipt of customer advances.

About the Projects

Prakshi Enclave

Prakshi Enclave is a residential project of 36 flats, a project that was completed in June 2015 at a cost of Rs.6.32 crore funded through a term loan of Rs.2.00 crore and the balance through promoter's contribution. The company has booked 100 percent of the total saleable area of 36900 sq. ft.

Prakshi Tower

Prakshi Tower is a residential project of 90 flats. The estimated project cost is Rs.17.97 crore to be funded through a term loan of Rs.8.00 crore and the rest through promoter's contribution. The company has booked ~65.90 per cent of the total saleable area of 122400 sq. ft. The total advances received stand at Rs.4.18 crore as on September 30, 2016.

Prakshi Avenue

Work on Prakshi Avenue, a residential project of 150 flats is expected to start from March 2017. The estimated project cost is Rs.33.22 crore to be funded through a term loan, customer advances and promoter's contribution. The company expects revenue of ~Rs.42.00 crore from the project.

About the Rated Entity

PIPL, incorporated in 2010, is an Agra-based real estate company promoted by Mr. Mukesh Chand and Mr. Satish Kumar. The company is engaged in the construction of residential-cum-commercial complexes, highways, bridges and other infrastructure.

The net worth stood at Rs.6.53 crore as on March 31, 2016 against Rs.4.43 crore a year earlier. The total net worth of Rs.6.53 crore in FY2015-16 includes quasi equity of Rs.3.00 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	L T	8.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Proposed Term Loan	L T	10.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Term Loan	N.A	N.A	June 2019	8.00	SMERA BB-/Stable (Assigned)
Proposed Term Loan	N.A	N.A	N.A	10.00	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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