

Press Release

Precious Infra Projects Private Limited (PIPPL)

17 November, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr
Long Term Rating	SMERA B/Outlook:Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.20.00 crore bank facilities of Precious Infra Projects Private Limited (PIPPL).

PIPPL, incorporated in 2009, is a Kerala-based real estate company promoted by Mr. Leo Louis and Mr. Joe Louis. The company is engaged in the construction of shopping malls, business centres among others. Since 2013, the company has leased its mall (total approx 1, 05,000 sq.ft) to The Mall of Joy, Thrissur for 25 years and has been generating income from lease rentals.

List of key rating drivers and their detailed description

Strengths

Moderate revenue visibility: The company has leased its property since 2013 to The Mall of Joy, Thrissur, part of the Joyalukkas Group. The lease agreement is for a period of 25 years with a 7 year lock-in period. The rentals are expected to increase by 15 per cent, every three years. The long lease period with lock-in ensures revenue visibility in the near to medium term.

Escrow mechanism and maintenance of DSRA account: The company has an agreement with the bank to maintain an escrow account. All rent receivables are to be deposited in the escrow account and utilised firstly for debt servicing before release of surplus cash flows. Further, the company has maintained DSRA of one month for the loan, thus providing a cushion to absorb short-term mismatches in rental receipts.

Weaknesses

Customer concentration risk: The company has modest operations with property leased to a single tenant ie. Mall of Joy Private Limited, resulting in concentration risk with regard to rental cash flows.

Weak capital structure and moderate coverage indicators: The networth stood low at Rs.2.37 crore as on 31 March, 2017 as against Rs.1.98 crore in the previous year. The overall gearing stood high at 7.91 times as on 31 March, 2017 (Provisional).

Further, the company has significant exposure in the real estate sector through loans and advances of Rs.6.87 crore in its group company namely, Precious Homes and Projects India (P) Limited and advances given to promoters of Rs.2.60 crore as on 31 March, 2017 (Provisional).

The interest coverage ratio stood at a moderate 1.97 times and DSCR stood at 1.30 times in FY2017 (Provisional).

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

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

Outlook: Stable

SMERA believes that PIPPL will maintain a stable outlook over the medium term owing to the steady cash flows from lease income. The outlook may be revised to 'Positive' if the company improves its capital structure. Conversely, the outlook may be revised to 'Negative' in case of unexpected termination of lease agreement or if the company provides additional financial support to its group company.

About the Rated Entity

For FY2016-17 (Provisional), PIPPL reported profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.4.01 crore, compared to PAT of Rs.0.46 crore on operating income of Rs.3.60 crore in FY2015-16.

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

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan (Rent Securitisation Loan)	NA	NA	NA	19.00	SMERA B (Assigned)
Proposed Fund Based Limited	NA	NA	NA	1.00	SMERA B (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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