

Press Release
Puranik Builders Limited

November 21, 2019



Rating Assigned

Total Facilities Rated*	Rs.1332.00 Cr.
Total Bank Facilities Rated	Rs.1200.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Total Non-Convertible Debenture	Rs.132.00 Cr.
Long Term Rating (Non-Convertible Debenture)	ACUITE BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) on the Rs.1200.00 crore bank facilities and the long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) to Rs.132.00 crore Non- Convertible Debentures of Puranik Builders Limited (PBL). The outlook is '**Stable**'.

Mumbai-based, Puranik Builders Limited (PBL) was incorporated in 1990 as a private limited company, and later the constitution was changed into public limited in May 2018. The company along with its subsidiaries is engaged as a real estate developer with major presence in Mumbai Metropolitan Region (MMR) and Pune Metropolitan Region (PMR).

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Puranik Builders Limited (PBL) and its subsidiaries namely Puranik Buildcon Private Limited, Puranik Buildwell Private Limited, Fortune Infracreators Private Limited, SYNS Builders Private Limited, Shree Riddhi Siddhi Vinayak Developers Private Limited, NRP Real Estates Private Limited, S.G.P Real Estates Private Limited, SHP Real Estates Private Limited, Y.G.P Realities Private Limited, Ekdant Constructions and Developers Private Limited, Puranik Constructions Private Limited and Swapnadhara Project Private Limited. Annapurna Lifespaces LLP, Sai Pushp Enterprises, Sai Shiva Infra Developers, Kaushalya Real Estates, Puraniks-Supreme Enterprises, Puranik Megatowns, Maitri Builders and Developers and Sai Shraddha Developers together referred to as the 'Puranik Group'. The consolidation is in view of the similar line of business and common ownership. Extent of Consolidation: Full

Key Rating Drivers

Strengths

• **Established presence in MMR and PMR**

The Puranik Group, promoted by Mr. Gopal Puranik and Mr. Ravindra Puranik, is a well-established group having business vintage of around three decades in real estate development projects. The promoters, Mr. Gopal Puranik and Mr. Ravindra Puranik, have more than four decades of experience in the real estate segment. The current Chairman and Managing Director, Mr. Shailesh Puranik has more than 2 decades of experience in the industry. The promoters are equally supported by second line of management comprising Mr. Jitendra Mehta (CFO), Mr. Amitabh Kumar (Senior VP), who are well experienced in the industry. The group started its operations from Thane and slowly increased its presence in Pune, Lonavla and Neral. The group has focus and experience in the mid-income affordable housing segment. Over the years, the group has developed a strong brand name 'Puranik' in MMR and PMR especially in affordable housing segment.

Acuité believes that the group will continue to benefit from the promoter's established presence in the industry and its strong brand name over the medium term.

Since inception, the group has successfully delivered over 29 projects with saleable area of over 45 Lakh Square Feet (LSF). The group is currently developing 6 projects in Thane viz. Puranik City Reserva, Rumah Bali, Grand Central, Puranik Hometown, Aarambh, Tokyo Bay; 3 projects in Pune viz. Aldea Espanola, Abitante, Aldea Annexo; one project in Lonavla i.e. Puranik Sayama and one project in Neral i.e. Puraniks City – Neral with total saleable area of over 140 LSF. The group has received necessary approvals for all of

its ongoing projects.

Acuité believes that the group's established track record of successful project execution and brand presence will continue to support its business risk profile over near to medium term.

Weaknesses

- **High dependence on customer advances and execution risk**

The group is currently executing 11 projects for which all of required clearances have already been obtained. The total cost of these projects is ~Rs.7,027 crore of which ~27 per cent cost has been incurred as on 31 March 2019. Out of the total project cost ~72 per cent is funded from customer advances and ~25 per cent through external debt.

Around 70 per cent of the group's projects are located in Thane, thereby making it exposed to vagaries of Thane real estate market. The subdued market scenario in the real estate sector in Thane region in past two years has affected the cash flows from the existing projects leading to higher dependence on the refinancing of the external bank debt. The group has debt repayment obligations for its term loans to the tune of Rs. 80.83 crore for FY2020 and Rs. 210 crore for FY2021. Acuité believes that timeliness of such refinancing measures or any improvement in the demand scenario resulting into healthy cash flow visibility remains a key rating sensitivity factor.

The traction in receipt of customer advances is dependent on project completion. The group's ability to execute projects as per schedule is highly dependent on timely receipt of regulatory approvals along with customer advances, which forms major portion of the total funding requirement of the projects. Therefore, Acuité believes that the group's ability to execute the projects as per schedule and while achieving sales traction towards these projects will also be a key rating sensitivity.

- **Susceptibility to Real Estate cyclical and regulatory risks**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region-specific presence. The risks associated with real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. Puranik Group is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt, which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk, which is likely to impact players such as PBL, thereby impacting its operating capabilities.

Rating Sensitivities

- Timely project execution as per schedule while achieving the sales traction
- Lower than expected sales traction leading to increased dependence on refinancing of debt will have an negative bias on the rating

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity position marked by the moderate customer advances to its maturing debt obligations. The group is mainly dependent on customer advances for its project funding and debt repayment. The group has debt repayment obligations for its term loans to the tune of Rs.80.83 crore for FY2020 and Rs.210 crore for FY2021. The group has recently refinanced Rs.370.00 crore in December 2018, which demonstrates refinancing abilities of the group.

Outlook: Stable

Acuité believes that Puranik Group will maintain 'Stable' business and financial risk profile in the medium term on the back of experienced management and established presence of the group in the real estate industry. The outlook may be revised to 'Positive' if the group generates higher than expected cash flows from customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of stretch in the group's liquidity position on account of delays in project execution or lower than expected sales traction towards these projects which may further increase the dependence on refinancing of debt.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	716.26	507.73	295.85
EBITDA	Rs. Cr.	210.36	161.15	81.29
PAT	Rs. Cr.	71.27	50.72	19.92
EBITDA Margin	(%)	29.37	31.74	27.48
PAT Margin	(%)	9.95	9.99	6.73
ROCE	(%)	14.91	14.08	10.17
Total Debt/Tangible Net Worth	Times	3.84	4.05	4.04
PBDIT/Interest	Times	1.87	1.83	1.58
Total Debt/PBDIT	Times	5.73	6.33	9.16
Gross Current Assets (Days)	Days	974	1,159	1,622

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Real Estate Entities- <https://www.acuite.in/view-rating-criteria-41.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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 loans	Not Applicable	Not Applicable	Not Applicable	280.00	ACUITE BBB+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	157.00	ACUITE BBB+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	210.00	ACUITE BBB+/Stable
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	18.75	ACUITE BBB+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	351.09	ACUITE BBB+/Stable
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+/Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	113.16	ACUITE BBB+/Stable
Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	132.00	ACUITE BBB+/Stable

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About Acuité Ratings & Research:

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