

Press Release

Pragnya South City Projects Private Limited

March 18, 2023



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE C**' (read as **ACUITE C**) from **ACUITE BB+ (Read as ACUITE double B plus)** on the Rs.50.00 Cr bank loans of Pragnya South City Projects Private Limited (PSCPPL).

Reason for downgraded:

The rating is downgraded due to delays in servicing of debt obligations in recent past by PSCPPL as confirmed by its respective banker. The account is regularized in the month of March 2023. The rating continues to draw comfort from the experienced management and established track record of operations.

About the Company

Based in Chennai (Tamil Nadu) and incorporated as a private limited company in 2006, Pragnya South City Projects Private Limited (PSCPPL) is engaged in developing residential apartment, commercial space and integrated township in the real estate sector. Located at Mount Poonamallee Road, Manapakkam, Chennai, PSCPPL is developing a township project on approx. 90 Acres of land. The project site is located near the Old Mahabalipuram Road (OMR). The company was renamed from "L&T South City Projects Private Limited" to "Pragnya South City Projects Private Limited" post purchase of shares of Larsen & Toubro (L&T) by Pragnya Group in March, 2017 for Rs.190 Cr. PSCPPL is an unlisted private subsidiary company of Pragnya Group.

About the Group

Incorporated in 2003, Pragnya Fund, is a real estate private equity firm focused on developing markets in India and Sri Lanka through its real estate opportunity funds Pragnya Fund I and Pragnya Fund II. The funds are managed by Mr. Subba R Dukkupati and Mr. Gopal Menon. Pragnya Group (including all the project specific entities formed) is in the process of completing over 15 million sq. ft. of Residential, Office Space, Showroom/Retail Space, SEZ, Townships, etc

Analytical Approach

To arrive at rating, Acuite has considered the standalone business and financial risk profile of Pragnya South City Projects Private Limited (PSCPPL).

Key Rating Drivers

Strengths

Track record of Pragnya Group in the real-estate sector; promoter's industry experience and established regional presence

Incorporated in 2010, Pragnya Fund II is a Mauritius-based private equity fund with the principal objective of investing in property development projects through designated special purpose vehicles domiciled in India and Sri Lanka. The fund has been established to enable selective institutional investors, corporate and high net worth individual investors to invest in opportunities within the real estate sector in India and Sri Lanka. Pragnya Fund II is currently invested in Project Platinum, Colombo, Project Hazel, Chennai, Project Habitat Crest, Bangalore, Project Bridge Country, Rajahmundry amongst others.

Incorporated in 2015, Pragnya South City Opportunity Fund is a Mauritius-based private equity fund with the principal objective of investing in property development projects domiciled in India and Sri Lanka. The directors of the company are Mr. Naidu Narayana Reddy, Mr. Ajay Kumar Gopal, Mr. Francis O Haokip and Mr. Akshat Asit Pandya.

Pragnya Fund II and Pragnya South City Opportunity Fund is the part of Pragnya Group, managed by Mr. Subba R Dukkupati and Mr. Gopal Menon. The managing partners of the group has more than 2 decades of experience in the real estate industry.

Acuité believes that promoters' extensive industry experience and leveraging of its brand equity will lead to mitigation of project risk associated with on-going projects of PSCPPL to an extent over the medium term

Weaknesses

Delay in servicing of debt obligations

PSCPPL has delayed in the repayment of the term loan facilities in the month of December 2022, January 2023 and February 2023. As on March 2023, the account has been regularized as per the banker confirmation.

Rating Sensitivities

> Regular servicing of debt obligations

Material covenants

None

Liquidity Position: Poor

The liquidity position of the company is marked poor on account of recent past instances of delays in servicing of debt obligations.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	57.36	41.07
PAT	Rs. Cr.	(43.00)	(24.42)
PAT Margin	(%)	(74.96)	(59.45)
Total Debt/Tangible Net Worth	Times	2.14	2.26
PBDIT/Interest	Times	(0.17)	0.30

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jan 2022	Proposed Bank Facility	Long Term	50.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE C Downgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.