Press Release

Pride Properties Private Limited

September 16, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	2.50	Provisional | ACUITE B | Stable | Reaffirmed	-
Non Convertible Debentures (NCD)	7.50	ACUITE B | Stable | Assigned | Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has converted long-term rating from **'PROVISIONAL ACUITE B' (read as Provisional ACUITE B)'** to **'ACUITE B (read as ACUITE B)'** on Rs.7.50 crore Non-Convertible Debentures (NCDs) of **Pride Properties Private Limited (PPPL)**. The outlook is **'Stable'**.

The rating on the Rs.7.50 crore NCDs is on account of receipt of final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions.
Acuite has further reaffirmed long-term rating of **'PROVISIONAL ACUITE B' (read as Provisional ACUITE B)** on Rs.2.50 crore NCD. The outlook is **'Stable'**.

The provisional rating is subjected to receipt of final term sheet and confirmation from trustee regarding the compliance with all terms and conditions

Rationale for Rating

The rating takes into account the locational advantage of commercial complex that is being developed in East Vile Parle Mumbai and the investment by the promoter on the same. However, the above rating is underpinned by weak financial risk profile of PPPL and uncertainty of credit risk profile of Mr. Jayesh Madhavji Parmar, on whose individual capacity, the project is being developed. The rating further takes into account criticality of achieving the projected cash flows in order to meet its debt obligation.

About the Company

Pride Properties Private Ltd was incorporated on 01 December 1987 by Mr. Munish Mahajan & Amit Mahajan located at Okhla, New Delhi. The company was initially involved in construction of buildings till 2000. The company has in past developed 4 residential projects in Delhi & NCR. However, as on date, the company has not engaged in any business since then. During the FY22, the company has planned to invest in real-estate development, undertaken by an individual; Mr. Jayesh Madhavji Parmar , for which, the company has proposed to raise Non-Convertible debenture (NCD) of Rs.8.0 crores. The project involves construction of commercial complex in Vile Parle East, Mumbai. The complex comprises of 5 floors (including ground floor). The total estimated cost of the project is Rs. 40.0 crores, of which Rs.26.0 crores have already been incurred as on March 2022. Post the completion of project, the entire project is expected to be sold to High Net-worth Individuals.

Analytical Approach

Acuite has considered standalone financial and business risk profile of PPPL

Key Rating Drivers

Strengths

Locational Advantage of the project

Close to Chatrapati Shivaji International airport, Ville Parle is one of the sought-after locations in Mumbai due to its strategic central location with Andheri East in North and Santa Cruz in south. It is just 5 Km away from BKC. Some of the key areas in the neighbourhood include Airports Authority Colony, Bamanwada, Ekta Nagar, and Chakla. The locality has good connectivity with rest of the city via Western highway. Vile Parle East Station on Harbour line caters to the area. The Mumbai International Airport is in located in the neighbourhood. Sahar Road Metro Station connects the locality to Mumbai Metro Network on Line 3. The locality has prominent schools and colleges and hospitals. Besides, the local market of Vile Parle is well developed for daily needs of its residents. Further, it is also corporate hub and important offices such as Paytm, Religare Private Wealth, Asian Groups, Sun Pharma etc are located in that area. The location is also known to have top residential complexes with school, colleges, restaurants, hotels nearby.

Weaknesses

Weak financial risk profile of PPPL

The company has not been involved in any business activity as on date and hence, heavily relies on external funding for investment on the project. The tangible net worth of the company remains at Rs. 1.85 crores as on March 31, 2022, as compared to in investment size of Rs.8.0 crores. The interest obligation on proposed NCD is due on March 2023. Albeit, the redemption of debenture entails long tenure of 7 years (March 2029), the company is expected to pre-redeem the same, out of sale proceeds of the project. Hence, timely completion of project and receipt of lease rentals would be a critical factor for meeting the interest obligation on NCD. The redemption of debenture is expected to be met through the sale proceeds from HNIs.

Uncertainty regarding credit profile of investee

The project is being undertaken by an individual; Mr. Jayesh Parmar. The entire project is being handled by him in his individual capacity. However, he has also been holding Directorial position with entities based out of Mumbai and Delhi. Nevertheless, the credit profile of the investee remains uncertain.

Project execution risk

The estimated cost project was Rs.40.0 crores and was expected to be completed by September 2022. However, due to heavy monsoon in Mumbai, the construction has been delayed to January 2023 and the total cost has been increased to around Rs.45.0 crore. Further, the requisite approval/clearance has been taken and total cost of Rs. 39.0 crore has been incurred as on date. Hence, timely implementation of the project is crucial from rating perspective.

ESG Factors Relevant for Rating

In real estate industry there is an inherent environmental risk of release of toxic greenhouse gases and waste disposal. Hence, availing necessary approvals would be important for implementation of the project. Any new regulatory constraint, could impede the progress of the project and cost escalation.

On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The product quality and safety is of utmost significance. Further, project development in an inhabited locality, smooth execution of the project leading to minimal inconvenience to the residents of locality is an important factor. As construction of commercial complexes also generate employment in local communities and are susceptible to unionization of labor force, managing social welfare of the local community is critical. As the project is being developed at an individual capacity, the ability to manage the labor force would be critical factor.

Rating Sensitivities

>Timely completion of construction with tie up of lessees.
>Ability to achieve the projected cash flow
>Any delay in construction of project, resulting in delay in inflow of lease rentals
>Any decline of receipt of sale proceeds

Material covenants

None

Liquidity Position: Poor

Poor

The liquidity position of the company is poor as PPPL is not engaged in any business operations. Further, the company relies heavily on external funding for investment purpose. Hence, timely completion of project and receipt of lease rentals and sale proceeds to meet its debt obligation would be critical from rating perspective.

Outlook: Stable

Acuité believes that the outlook on PPPL will remain 'Stable' over the medium term on account of expected completion of project and locational advantage. The outlook may be revised to 'Positive' in case of significant increase in lease rental than envisaged, long term lease contract with reputed clientele. Conversely, the outlook may be revised to 'Negative' in case of any decline in lease rentals and delay in execution of project.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.02)	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	4.05	0.00
PBDIT/Interest	Times	(23.91)	(22.49)

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

Not Applicable

Any other information

Supplementary disclosure for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

Absence of any entity to take appropriate measures to protect the interest of the debenture holders in case of any breach of the trust deed or law.

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the documentation

The rating would be equated to the standalone rating of the entity: ACUITE B- / Stable

C. Timeline for conversion to Final Rating for a debt instrument proposed to be

issued:
The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Mar 2022	Proposed Non Convertible Debentures	Long Term	2.00	ACUITE Provisional B | Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	8.00	ACUITE Provisional B | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0L9G07010	Non-Convertible Debentures (NCD)	28-05-2022	15	15-03-2029	7.50	ACUITE B | Stable | Assigned | Provisional To Final
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	2.50	Provisional | ACUITE B | Stable | Reaffirmed

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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.