Acuite
RATINGS & RESEARCH

Press Release

Pride Properties Private Limited

April 03, 2023

Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	7.50	ACUITE D | Downgraded	-
Non Convertible Debentures (NCD)	2.50	Provisional | ACUITE C | Downgraded	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating from **'ACUITE B' (read as ACUITE B)'** to **'ACUITE D' (read as ACUITE D)** on Rs.7.50 crore Non-Convertible Debentures (NCDs). Acuite has further downgraded long term rating to **Provisional ACUITE C (read as Provisional ACUITE C)** from **Provisional ACUITE B (read as proivisional Acuite B)** on Rs. 2.50 crore proposed Non- Convertible Debentures of **Pride Properties Private Limited (PPPL).**
The rating on Rs. 2.50 Cr. NCD is provisional and the final rating is subject to:

1. Receipt of final term sheet
2. Confirmation from trustee regarding the compliance with all terms and conditions.

Rationale for Downgrade
Rating has been downgraded on account of receipt of information regarding delay in coupon payment of NCD with ISIN No. INE0L9G07010 due on 28th March 2023.

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 to arrive at the rating.

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 resulting into delay in payments

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 its investment size of Rs.8.0 crores. The interest obligation on proposed NCD was due on 28th March 2023 which is not paid on time as confirmed by the company's management.

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.

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 as envisaged

Material covenants

None

Liquidity Position

Poor
The liquidity position of the company is poor as PPPL is not engaged in any business operations. Further, the company has defaulted on its coupon payement which was due on 28th March 2023. 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 :
Not Applicable

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)
None

Any other information
Supplementary Disclosures 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 C
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
In order to inform the investors about complexity of instruments, Acuité 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
16 Sep 2022	Proposed Non Convertible Debentures	Long Term	2.50	ACUITE Provisional B | Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	7.50	ACUITE B | Stable (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0L9G07010	Non-Convertible Debentures (NCD)	28 Mar 2022	15	27 Mar 2029	Simple	7.50	ACUITE D | Downgraded (from ACUITE B)
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	Provisional | ACUITE C | Downgraded (from ACUITE Provisional B)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Sushant Kumar Mishra Senior Manager-Rating Operations Tel: 022-49294065 sushant.mishra@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.