

Press Release

Paranjape Spaces And Services Private Limited

April 28, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	91.00	Provisional ACUITE B Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	91.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long term rating of '**Provisional ACUITE B**' (read as **Provisional ACUITE B**) on the Rs.91.00 crore Proposed NCD of Paranjape Spaces and Services Private Limited (PSSPL). The outlook is '**Stable**'.

The rating on the Rs. 91 Cr. Proposed NCDs is provisional and the final rating is subject to (pending steps/ documentation):

1. Receipt of the execution and registration of deed of assignment from PSC properties private limited and Paranjape schemes construction limited in favour of PSSPL.
2. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions
3. All relevant documents related to the NCD Issue besides the above mentioned documents

Reason for rating assigned

The rating assigned reflects the established track record of 30 years of group in real estate development and strong and experienced promoter profile . However, the rating is constrained by project execution risk and the funding risk as the project is still in a nascent stage of operations. And the rating also factors in the inherent cyclicity in real estate industry.

About the Company

Paranjape Spaces and Services Private Limited (PSSPL) is incorporated as a Private Limited on December 04, 2020. The promoters of the company are Amit Paranjape and Rahul Paranjape. The Company is engaged in development of Residential Real Estate Projects. The company is a part of Paranjape Group, which have developed 204 projects with a developed area of 2.32 Cr sqft majorly in Pune. PSSPL is developing a project in Bandra east. It is a redevelopment project comprising of 14 floors. Out of the total 216 flats, 82 flats would be given to the existing tenants and the remaining 134 flats are saleable. The construction of the project is expected to start by the May 2022 and expected to be completed by March 2025.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Paranjape spaces and service private limited (PSSPL) while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and locational advantage

The PSSPL is a part of Paranjape group which is into real estate development for more than three decades and have completed around 204 projects majorly in Pune. The promoters of the company have a vast experience of more than decade in this industry. PSSPL is currently undertaking a Teachers' colony project at Bandra East. The project also has a locational advantage as it is situated in Bandra East and in 10 minutes distance by walking from Bandra station. Acuite believes that the experience of the promoters in the real estate development will benefit the project of the firm over the medium term.

Weaknesses

Funding and Project Execution risk

The project under PSSPL has not yet started since the land is yet to be vacated. The estimated project cost is around Rs 233.36 Cr and the promoters have infused capital of Rs.45.05 Cr for the expenses incurred till November 2021. The project was expected to commence by January 2022 but the same has delayed and now is expected to start by the May 2022 and is expected to complete by March 2025. Further, the financial tie-ups for the project are still pending. Hence, any deviation in commencement of project and eventually completion may impact the cashflows. Acuite believes the timely financial tie-up and completion of the project are key rating sensitivity factor.

Inherent cyclicity in Real Estate Sector

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 the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations.

Rating Sensitivities

A successful implementation of project without time and cost overruns Financial Closure with specified timelines

Material covenants

Any sale below Minimum Selling Price (MSP) of the Projects based on carpet area shall be an affirmative item.

Any deviation in the approval milestones. These approvals are to be obtained within the timelines mentioned in the key project assumption section.

Any deviation in the milestones with respect to the completion of Projects within the time committed to the flat buyers for compliance under RERA or within 36 months from first investment date, whichever is earlier

Liquidity position: Stretched

The company's liquidity position is stretched as the project has not yet started and the

cashflows will be depending on the bookings done, collections to be received and the investment from ASK real estate fund. The cashflows are expected to be generated from June 22. Acuité believes that the ability of the firm to complete the debt tie-up on time and completion of the project within specified timelines will remain a key monitorable for the over the medium term.

Outlook: Stable

Acuité believes that the outlook on PSSPL's rated facilities will remain stable over the medium term on account of experience of the promoters in the real estate domain. The outlook may be revised to 'Positive' in case of significant improvement in cash flow and sales traction. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in the completion of project, or less-than-expected customer advances leading to stretch in its liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	0.00	0.00

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

Not Applicable

Any other information

Supplementary disclosures for Provisional Ratings

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

1. Lack of third party monitoring of compliance in absence of executed trust deed and no finalized terms in absence of final term sheet
2. 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 pending steps/ documentation

The rating would be equated to the standalone rating of the entity: ACUITE B / Stable Acuité Ratings & Research Limited 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.

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

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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

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	91.00	Provisional ACUITE B Stable Assigned

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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.

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