

Press Release

Paranjape Spaces And Services Private Limited

December 30, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	67.00	ACUITE B Stable Assigned Provisional To Final	-
Non Convertible Debentures (NCD)	24.00	Provisional ACUITE B Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	91.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**Provisional ACUITE B' (read as Provisional ACUITE B)**' on the Rs.24.00 crore Proposed NCD of Paranjape Spaces and Services Private Limited (PSSPL). The outlook is '**Stable**'.

Further, Acuite has converted the provisional long term rating to the final long term rating of '**ACUITE B' (read as ACUITE B)**' on the Rs.67.00 crore NCD issue of Paranjape Spaces and Services Private Limited (PSSPL). The outlook is '**Stable**'.

The conversion of the rating from provisional to final of Rs.67.00 crore reflects satisfactory completion of the following documentation as required by Acuite:

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. Trust Deed

The final term sheet has not been received as the Company has undertaken that the final term sheet was never drawn and only the debenture trust deed was signed. The terms of issue as per debenture trust deed and indicative term sheet match.

The conversion of the rating from a provisional rating to a final rating of Rs.24.00 crore will be subject to the following documentation requirements :

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. All relevant documents related to the NCD Issue besides the above mentioned documents

Rationale of Rating

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, 81 flats would be given to the existing tenants and the remaining 135 flats are saleable. The construction of the project is expected to start by the December 2022.

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

Project Execution and Funding risk

The Project was initially planned to start from Jan'22 onwards, however, due to delay in vacation of flat by tenant, the commencement got delayed. The vacation of the flat was completed by September, 2022 and the demolition of the old structure has begun. As of December 2022, the demolition of the structure is completed, and the company is awaiting the commencement certificate to start the excavation. The delay in the start of the project may delay the completion of the project estimated to be in March, 2025.

The total estimated project cost has increased to ~Rs.307.7 Cr from the earlier estimated Rs.233.36 Cr on account of inclusion of finance cost and increase in other project related costs. The project cost is estimated to be financed by debt of Rs.91 Cr, promoter funds of Rs.60.61 Cr and balance through customer advances. As on December 2022, the promoters have infused their share of Rs.60.61 Cr and the debt to be financed vide NCDs has been issued for Rs.67 Cr so far. Acuite believes that timely execution of the project within the estimated costs will remain a 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.

ESG Factors Relevant for Rating

The company follows proper waste disposal and promotion of energy efficient alternatives. The inherent material risk to this industry includes releasing toxic greenhouse gases and delivering a green building structure by utilizing clean technology. The company makes employee health & safety management a priority given the nature of operations. It also takes into consideration factors such as ethical business practices, legal and regulatory compliance hold utmost significance in the construction industry, considering the frequency of litigations.

Rating Sensitivities

Timely execution of the project without cost overruns
Financial Closure within 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 sales of 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. Acuité believes that the ability of the firm to achieve good sales of the units 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 22 (Actual)	FY 21 (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	4369.90	0.00
PBDIT/Interest	Times	0.00	0.00

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

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.

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, 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
28 Apr 2022	Proposed Non Convertible Debentures	Long Term	91.00	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	INE0LLO07012	Non-Convertible Debentures (NCD)	Jul 7 2022 12:00AM	15%	Jul 7 2026 12:00AM	Simple / Complex	65.00	ACUITE B Stable Assigned Provisional To Final
Not Applicable	INE0LLO07020	Non-Convertible Debentures (NCD)	Oct 6 2022 12:00AM	15%	Oct 6 2026 12:00AM	Simple / Complex	2.00	ACUITE B Stable Assigned Provisional To Final
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	24.00	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.

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