

Press Release

Paranjape Spaces And Services Private Limited

April 06, 2023



Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	24.00	ACUITE D Assigned Provisional To Final	-
Non Convertible Debentures (NCD)	67.00	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	91.00	-	-

Rating Rationale

Acuite has downgraded its long term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE B'(read as ACUITE B)** on the Rs.67.00 crore Non Convertible Debentures (NCD) of Paranjape Spaces and Services Private Limited (PSSPL).

Further, Acuite has converted from Provisional to final and assigned the long term rating of '**ACUITE D' (read as ACUITE D) from Provisional ACUITE B (Read as Provisional ACUITE B)** on the Rs.24.00 crore NCD issue of Paranjape Spaces and Services Private Limited (PSSPL).

The conversion of the rating from provisional to final of Rs.24.00 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 undertaken by the company, that the final term sheet was never drawn and only the debenture trust deed was signed. The terms of issue are as per debenture trust deed and indicative term sheet match.

Rationale for rating downgrade

The rating downgrade takes into account the non servicing of the annual coupon payment by the company on the NCD's issued which was payable on 31 March 2023.

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

Non servicing of coupon payment

The company has not serviced the coupon payment on the NCD's issued which was due on 31 March 2023 on account of inadequate cashflows from the project.

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. 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 payment of the coupons

Timely execution of the project without cost overruns

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:poor

The company's liquidity position is poor marked by the non payment of the coupon due on 31 March 2023. Also, the sales of the project has not yet started and the cashflows will be depending on the bookings done, collections to be received.

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.	0.00	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)

Not Applicable

Any other information

Acuite learns from the management that there is an agreement on revision in payment terms on the said NCD. The ammendment/supplementary agreement to the debenture trust deed is yet to be executed.

Sr No	Date	Communication sent to Issuer	Communication sent to Debenture trustee
1	31-03-2023	Confirmation sought, no response	-
2	03-04-2023	Confirmation sought, no response	-
3	04-04-2023	Confirmation sought, response received	-
4	05-04-2023	-	Confirmation sought, response received

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. Acuité'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
30 Dec 2022	Non Convertible Debentures	Long Term	2.00	ACUITE B Stable (Assigned)
	Non Convertible Debentures	Long Term	65.00	ACUITE B Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	24.00	ACUITE Provisional B Stable (Reaffirmed)
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)	07 Jul 2022	15	07 Jul 2026	Simple	65.00	ACUITE D Downgraded
Not Applicable	INE0LLO07038	Non-Convertible Debentures (NCD)	28 Feb 2023	15	05 Jul 2026	Simple	2.00	ACUITE D Downgraded
Not Applicable	INE0LLO07038	Non-Convertible Debentures (NCD)	28 Feb 2023	15	05 Jul 2026	Simple	24.00	ACUITE D Assigned Provisional To Final

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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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