

Press Release

Precision Realty Developers Pvt Ltd

February 14, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Proposed Term Loan (LRD Facility)	175.00	Provisional IVR A / Stable Outlook (Provisional IVR Single A with Stable Outlook)*	Assigned

**LRD rating based on proposed LRD Facility*

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned are provisional (denoted by the prefix ‘Provisional’ before the rating symbol) and is subject to fulfilment of the conditions and execution of necessary transaction documents. The final rating may differ from the provisional rating in case any of the condition remains unfulfilled and/or the completed documentation is not in line with Infomerics’ expectations.

The aforesaid rating assigned to the proposed bank facilities of Precision Realty Developers Pvt Ltd (PRDPL) derives comfort from its experienced board of directors, established brand recognition, refinancing of existing loan using LRD with extended tenure and escrow mechanism. However, the rating strengths are partially offset by the receivables being dependent on a solitary client and a lack of alternate cash flows.

Key Rating Sensitivities

Upward factors:

- Sustained lease rental income from the lessee
- Timely servicing of debt

Downward factors:

- Decline in projected cash flows due to increase in expenses

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Board of Directors

PRDPL is a private limited company incorporated 2007. The company is promoted by Ashok Sharda and Mr. Damodar Jhavar. They possess a considerable amount of experience in the field of setting up retail stores and project planning. Mr. Ashok Sharda has been instrumental in forming various standard operating procedures for the project department of Future Group and he has set up policies for project procurements which has been of great importance to the company.

Established brand recognition

The Future Group, promoted by Mr. Kishore Biyani who spearheads the Indian conglomerate, known for having a significant presence in the Indian retail and fashion segment. The group consists of popular supermarket chains such as Big Bazaar and Food Bazaar, lifestyle stores such as Brand Factory and Central. The group has a notable presence in the fast moving consumer goods and integrated foods sector. Future Retail Limited and Future Lifestyles Fashions Limited operating under the Future Group are among the top companies that are listed on the BSE and NSE with respect to assets and market capitalization.

Refinancing of existing loan using LRD with extended tenure, thus decreasing pressure on cash flows

The company had an LRD facility of Rs.200 crores from L&T Financial Services against the lease rentals of the lessee (Future Retail Limited). The company is proposing for refinancing of the existing LRD facility along with additional loan of Rs.50 crores for various corporate purposes. The loan is expected with an extended repayment along with finer rate of interest.

Escrow mechanism ring-fencing the cash flows

The waterfall mechanism attached to the escrow account ensures that the lease rental receivables are escrowed to meet the principal repayment and interest payments. As per the terms of sanction of the debt, the parties have entered into an unconditional and irrevocable tripartite agreement guaranteeing the cash flows from the lessee to be deposited into the

escrow account and any remaining amount post payment of due to be utilised by PRDPL. The structure also stipulates that a charge has been created in favour of the bank on the assets including the receivables in the event of a default. The escrow agreement also incorporates a charge on the fixed assets of the company (amounting up to 33% of the total loan amount) as security.

Adequate cash-flow surplus to cover for payables

The company has a comfortable surplus (net of debt payments to lease receivables) of around 22% in FY20. The cash flow surplus is expected to improve gradually y-o-y due to scheduled repayment of debt obligation.

Key Rating Weaknesses

Receivables dependent on a solitary client and lack of alternate cash flows

The company has leased its operating assets to Future Retail Ltd, which is engaged in the business of retailing a range of household and retails products. Their cash inflows and the subsequent payment of debt is confined to the earnings of a single client.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Liquidity is adequate as the company generates adequate lease rental receivables, the surplus from which is enough to cover the debt repayment obligations.

About the Company

Precision Realty Developers Private Limited (PRDPL) incorporated in 2007 is part of the Future Group. The company is spearheaded by Mr. Ashok Sharda and Mr. Damodar Jhavar, who have over a decade of experience in planning, execution and have been with Future Group for a long period of time. They are in the business of acquiring and dealing in properties, equipment's and assets, renting out or letting on hire all kinds of equipment, properties, assets, appliances, apparatus and gadgets its related products or peripherals to various customers, offering customized rental solutions and provide services on assets life

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cycle management, assets tracking managing assets infrastructure, installation, implementation, upgradation, maintenance and replacement of all kinds of equipment, properties, assets, appliances, apparatus and gadgets its related products or peripherals or any and all kinds and descriptions..

Financials:

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	172.02	144.58
EBITDA	12.09	41.08
PAT	-3.15	3.30
Total Debt	193.56	145.32
Tangible Net-worth	31.37	34.67
Ratios		
EBITDA Margin (%)	7.03	28.42
PAT Margin (%)	-1.83	2.28
Overall Gearing Ratio (x)	1.86	0.75

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan – LRD Facility*	Long Term	175.00	Provisional IVR A/ Stable Outlook	--	--	--

*LRD rating based on proposed LRD Facility

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan - I	NA	NA	NA	125.00	Provisional IVR A / Stable Outlook
Proposed Term Loan – II	NA	NA	NA	50.00	Provisional IVR A / Stable Outlook