



## Infomerics Valuation And Rating Pvt. Ltd.

### Curo India Private Limited

August 08, 2019

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	12.25*	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)

\* OD facility availed by company is on reducing drawing power basis.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating draws comfort from the company's experienced promoters and infusion of funds in the form of unsecured loans. These strengths are partially offset by the uncertainty of advance booking for the current project, decreasing debt servicing capacity and exposure to risks relating to cyclicalities in real estate industry. Timely completion of the project, change in interest servicing capacity and sale of unsold inventory are the key rating sensitivities.

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

##### *Experienced Promoters*

Mr. Pawan Garg, Chairman and Managing Director, has 43 years of business experience in the retailing, real estate development and automobiles sectors. Mr Abhinav Garg (Director of CIPL), son of Mr. Pawan Garg, is a Graduate in Business Economics from State University of New York, USA (Class of 2008). He looks after the legal, administration & marketing divisions of the group. The promoters are ably supported by an experienced management team in their day to day affairs.

##### *Funding security from the promoters side*

Additional funds are expected to be infused as unsecured loans for the construction of the project, if required. Promoters have infused unsecured loans of 8.31 crore in FY18, which was further increased to 16.08 crore in FY19.



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### **Key Rating Weaknesses**

#### ***Uncertainty of advance bookings***

The current ongoing project curo-one has a high dependency on customer advances (Rs.246.11 Cr. out of total cost of Rs.281.78 Cr.). Construction for the residential building is planned after adequate advance bookings which is currently targeted at booking of around 100 flats, which will bring in a considerable amount of around Rs.110 crore. Further timely inflow from sales is crucial for the remaining amount of 136.11 Crore to continue the project. This creates a moderate funding risk for the Mullanpur project (Curo One). Till date, the company has received Rs.36.75 Cr from customers in the form of booking advances.

#### ***Decreasing debt serving capacity***

Interest coverage has continuously decreased from 1.53x in FY16 to 1.46x in FY17 to 1.14x in FY18 to 1.08x in FY19. The decline in the interest cover suggests stress in liquidity and ability of the company to service the interest repayments going forward.

#### ***Exposure to risks relating to cyclicity in real estate industry***

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of the company. CIPL will remain susceptible to the inherent cyclicity in the real estate sector.

### **Analytical Approach & Applicable Criteria:**

Standalone Approach

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity**

CIPL is projected to generate incremental inflows from sales of its inventory and the same is expected to increase gradually. Going forward, the long term debt is expected to reduce indicating



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lower debt servicing obligations. The interest coverage ratio for the group was 1.08x in FY19 which decreased gradually over last 3 years from 1.46x in FY17. Though, the current ratio was adequate at 2.29x, the quick ratio was very low at 0.15x as on March 31, 2019 due to high level of unsold inventories of completed projects. All these factors indicate low degree of liquidity support to the company in meeting its debt obligations.

### About the Company

The Curo Group was founded by Mr. Pawan Garg in the year 1987. Mr. Garg established Dynamic Motors in 1995 which rose to become the largest automobile dealer of General Motors (India) in North India with its foot-print in the states of Punjab, Haryana, Delhi and Jammu Kashmir. In 2003-04 company exited from automobile business.

Curo India Pvt. Ltd. (CIPL) is the flagship company of the Group and is engaged in Real Estate development, in particular, construction and management of malls and residential properties.

CIPL has already completed and commissioned the Curo Square (Flamez Mall) in Ludhiana and Curo High Street Jalandhar and Curo Homes (Barnala).

### Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2018	31-03-2019
	Standalone	Standalone
Total Operating Income	9.58	35.20
EBITDA	3.24	16.10
PAT	0.18	0.65
Total Debt	124.36	97.83
Tangible Net worth	35.03	35.67
EBITDA Margin (%)	33.82	45.73
PAT Margin (%)	1.86	1.84
Overall Gearing Ratio (x)	3.55	2.74

\*Classification as per Infomerics' standards



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### Status of non-cooperation with previous CRA:

Facilities / Instruments	Amount (Rs. Crore)	Rating	Rating Agency	Date of Press Release
Long Term Bank Facilities	55	D*; Issuer not cooperating; Revised from CARE BB(SO)	CARE	March 29, 2018

**Any other information:** Nil

### Rating History for last three years:

Sr. 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.	Long Term Fund Based Limits – OD	Long Term	12.25	IVR BB-/Stable	-	-	-

\* OD facility availed by company is on reducing drawing power basis.

**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](http://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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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
Long Term Bank Facilities- OD	-	13.75%	On demand	12.25*	IVR BB-/Stable

\* OD facility availed by company is on reducing drawing power basis.