

## PS Group Realty Private Limited

April 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	102.00 (Reduced from 121.71)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in rating assigned to the bank facilities of PS Group Realty Private Limited (PSGRPL) derives strength from rich experience of the promoters with established brand image of PS Group in the real estate market of Kolkata, efficient project execution capabilities coupled with association with renowned architects and consultants. The rating also factors in completion of majority of projects and receipt of completion certificate (CC) in CY2023 with satisfactory sales and collection, comfortable capital structure with low reliance on debt for funding of projects coupled with adequate liquidity. The rating also draws comfort from favorable location of the projects with major regulatory approvals in place for the ongoing projects along with Joint Venture (JV)/ Joint Development Agreement (JDA) model leading to an asset light model and providing steady cash flow visibility over the near to medium term.

The ratings are however constrained by inherent execution risk associated with the ongoing projects, saleability risk associated with projects having high reliance on customer advances, geographical concentration risk, significant upcoming project pipeline resulting in exposure to execution and marketing risks, considerable exposure in the group entities and highly fragmented real estate industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in overall gearing to below 0.30x on a sustained basis.
- Annual collection of Rs 500 crore and above
- Inventory hangover (no of months required to sell unsold inventory given trailing 12 months average sales trend) to remain at or below 18 months on continued basis.

#### Negative factors

- Substantial delay in booking of flats impacting project progress and collections.
- Maintenance of overall committed receivable to cover balance project cost and outstanding debt at 50% or below for projects which have been launched 2 years ago
- Higher-than-anticipated land investments resulting in increase in debt levels other than envisaged, on a sustained basis
- Gross debt/annual collections to remain below 0.80x, on a sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

The outlook is expected to remain stable given several of the ongoing projects are in advanced stage of completion marked by satisfactory sales and collection levels.

### Detailed description of the key rating drivers:

#### Key strengths

##### Experienced promoters with established brand image of PS Group in the Kolkata real estate market

PS Group was founded by Mr Pradip Kumar Chopra and Mr. Surendra Kr. Dugar, who are among the top reputed real estate developers in Kolkata with more than three decades of exposure in the real estate sector. The group has been felicitated with number of awards/accreditations for their contribution towards the industry. PSGRPL is the flagship company of the group, incorporated in 1988. The group has completed various real estate projects in the last three decades, aggregating over 200 lakh square feet (lsf) of construction under various Special Purpose Vehicles (SPVs). The projects implemented by the group have witnessed satisfactory response and good market price due to apposite pricing of the properties with good quality, timely execution, and availability of various modern amenities.

##### Efficient project execution capabilities coupled with association with renowned architects and consultants

The group has satisfactory execution capabilities corroborated from projects delivered in the past. The group is associated with renowned architects, contractors and consultants who have proved their mettle in the field, and few also have international presence in their field of specialization. Further, the company also has a dedicated in-house marketing team consisting of qualified

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

professionals to target its customers. Strong brand image, construction quality and efficient marketing strategies have enabled the company to witness quicker bookings and fund major part of the cost by way of customer advances.

### **Major regulatory approvals already in place for the ongoing projects**

PSGRPL currently has four ongoing projects in its own books and seven projects through SPVs (in partnership with other real estate players) based out of Kolkata. The company has received all the major approvals from the appropriate authority(s) which includes police department, airport authority, urban land ceiling, height clearance, water, electricity, fire & emergency, environmental clearance. Although, the 'Volt' project is in final stage of completion, however; there has been delay beyond RERA timelines and as articulated by the management the CC for the project is expected in FY25.

### **Favourable location of the projects with all modern amenities**

The ongoing residential projects are coming up in the areas which are easily accessible and are in the proximity of grocery stores, hospitals, educational institutes, shopping malls, tourist attractions and railway/metro stations and other basic and essential requisites. The ongoing residential projects are equipped with all the modern facilities/amenities including clubhouse with gymnasium, indoor games, banquet hall, swimming pool etc.

### **Completion of majority of projects and receipt of completion certificate in CY2023 with satisfactory sales and collections**

Out of total development portfolio of ten projects with total saleable area of around 31 lsf considered during last review, the company has received completion certificate for seven projects with total saleable area of 28.10 lsf till December 2023. The company received completion certificate (CC) for 'One 10 Phase 1', 'One 10 Phase 2', 'Anassa' and 'Esmeralda' in CY2023 while CC for the remaining three projects was received in CY2022. This apart, the company had launched a new project named 'Jade Grove' (saleable area- 1.38 lsf) in November 2023, such that total development portfolio outstanding as on December 2023 had saleable area of 4.55 lsf.

The company has sold 51% of saleable area of 4.55 lsf for a total sale consideration of Rs 349.60 crore (PS Share- Rs 168.11) and collected Rs 152.08 crore (PS share- Rs 69.87 crore) till December 2023. In case of completed projects, the company has sold around 89% of total saleable area of 28.10 lsf at a total sale consideration of Rs 2363.59 crore (PS share- Rs 1343.57 crore) and collected Rs 2264.90 crore (PS share- Rs 1283.46 crore). The coverage ratio for all the projects under PSGRPL stood satisfactory at 82% as on December 2023 as against 81% as on December 2022.

Regarding the seven ongoing projects under SPVs with total saleable area of 36.35 lsf, around 26.41 lsf has been sold till December 2023 for a sale consideration of Rs 1466.90 crore (PS share- Rs 708.49 crore) and collected Rs 671.85 crore (PS share- 332.15 crore).

### **Comfortable capital structure with low reliance on debt for funding of the projects**

The capital structure of the company stood comfortable marked by overall gearing stood at 0.84x as on March 31, 2023 as against 1.17x as on March 31, 2022. The improvement is on account of accretion of profits to reserve with slight reduction in debt levels. This apart, the company has low reliance on debt for financing of its projects. As on December 31, 2023; the o/s debt pertaining to funding of projects stood at Rs 34.45 crore (comprising of debt of Rs 25.95 crore for 'Reserve' and Rs 8.50 crore for 'One 10 Phase 2'). The rest of the debt pertains LRD/LAP of commercial properties.

Further, out of 7 ongoing projects under SPVs, 2 projects with estimated project cost of around Rs 529 crore are financed through mix of debt, promoter funds and customer advances and have outstanding debt of Rs 34.60 crore as on December 31, 2023.

### **Key weaknesses**

#### **Project construction risk**

In case of the ongoing projects executed under PSGRPL, the company has expended around 37% of the total estimated cost of Rs 210.05 crore till December 31, 2023. Out of these projects, 'Volt' is in final stage of completion and 'Montage' is expected to be completed by Q1FY25, thereby leading to moderate project construction risk, though timely completion of construction remains a key rating monitorable.

In case of ongoing projects under JVs, around 65% of the estimated project cost of Rs 1555.72 crore has been incurred till December 31, 2023.

Given the brand image of the group in Kolkata real estate market, and successful track record of the PS group in execution of real estate projects in the past, mitigates the risk attached to successful and timely completion of the said on-going projects to a certain extent.

#### **Saleability risk associated with high reliance on customer advances.**

All the four ongoing projects under PSGRPL are being financed through customer advances thereby exposing the project to risks/concerns like liquidity issues, project delays and cost overruns. Out of total saleable area of 4.55 lsf of ongoing projects, the company has already sold around 2.32 lsf (51% of total saleable area) till December 31, 2023 at a sale consideration of Rs 349.60 crore, thereby mitigating the above risk to a certain extent. The company has received customer advances of Rs 69.87 crore till December 31, 2023 out of total sale consideration of Rs 168.11 crore (PS Group's share of sales and collection) against the estimated cost of Rs 210.05 crore. (Rs 76.81 crore spent till December 31, 2023).

### Significant upcoming projects in pipeline resulting in exposure to execution and marketing risks.

As articulated by management, the Group is planning to launch four projects (3 in PSGRPL and 1 in SPC) with total saleable area of around 31 lsf over the next 12 months. This exposes the Group to project execution and marketing risks, although the group's past track record mitigates the risks to a certain extent.

### Considerable exposure in its group entities

PSGRPL has exposure in the form of investments and loans & advances of Rs.265.57 crore as on March 31, 2023 (Rs 212.51 crore as on March 31, 2022) to its group entities/partnership concerns for the implementation of real estate projects. This apart, the company has also extended corporate guarantee against debt raised by various group companies (PSGRPL's share- Rs. 54.17 crore outstanding as on December 31, 2023). The exposure is expected to increase with full drawdown of guaranteed debt sanctioned in Bailey Properties Pvt Ltd. (BPPL). BPPL has received sanction of Rs.256 crore for construction of a mall in Patna wherein PS Group and Ozone group each have 50% share. PGRPL has given corporate guarantee to the extent of its share i.e., Rs.128 crore while Rs.34.50 crore (PS share: Rs.17.25 crore) has been drawn till December 31, 2023. Any delay in construction of the projects covered by such guarantees, lower than expected sales and timely receipt of customer advances will be the key rating monitorable. However, the guarantees are not joint and several and PSGRPL is liable to the extent of their share in JVs.

### Risk of geographical concentration and highly fragmented real estate industry in Kolkata

Out of the total area being constructed at the group level, majority of the area is being constructed in and around Kolkata, which exposes the group to risk of geographical concentration. Further, in the last few years, Kolkata has witnessed moderate growth in real estate sector with large number of renowned local as well as national level real estate players entering with large size projects in the city. However, given the brand image of the group in Kolkata and satisfactory track record of the company in execution of real estate projects, the risk is mitigated to a larger extent.

### Liquidity: Adequate

The liquidity position is adequate with outstanding collections (committed stage payment) from sold inventory of around Rs.158 crore which covers almost 82% of the outstanding cost and debt as on December 31, 2023. As on Dec 31, 2023, PSGRL has free cash & bank balance of Rs.21 crore, PS share of liquidity in its JV entities is Rs 76 crore and other entities in the PS Group have cash and bank balance of Rs 12 crore. Hence, at the group level, total cash and bank balance stood at 109 crore as on Dec 31, 2023 (as against 98 crore as on Dec 31, 2022).

### Environment, social, and governance (ESG) risks- Not Applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

PS Group Realty Private Limited (PSGRPL), incorporated in the year 1988 and part of the Kolkata based PS Group, is engaged in the construction, development and maintenance of commercial, retail as well as residential real estate. The PS Group was promoted by Mr. Pradip Kr. Chopra and Mr. Surendra Kr. Dugar. Currently, the day-to-day affairs of the group is managed by Mr. Prashant Chopra (Group chairman, son of Mr. Pradip Chopra) and Mr. Gaurav Dugar (Managing Director, son of Mr. Surendra Dugar) who is ably supported by a team of experienced professionals. Under PSGRPL, at present, the group has four ongoing projects with an aggregate salable area of around 4.55 lakh sq.ft. (lsf), being developed at a total project cost of Rs.210.05 crore. All the projects have been launched and are based out at Kolkata. This apart, PSGRPL through its group companies and through SPVs in the form of LLPs/ partnership firms is developing various real estate projects in and around Kolkata (mostly) which is currently (till Dec-23) aggregating to around 36.35 lsf. The aggregate estimated cost for these ongoing projects is around Rs.1555.72 crore.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	97.50	291.28
PBILDT	-28.40	31.04
PAT	-3.72	47.82
Overall gearing (times)	1.17	0.84
Interest coverage (times)	-4.05	3.09

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	February 2035	102.00	CARE A; Stable

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	102.00	CARE A; Stable	1)CARE A; Stable (06-Apr-23)	-	1)CARE A-; Positive (28-Mar-22)	1)CARE A-; Stable (30-Mar-21) 2)CARE A-; Stable (07-Apr-20)
2	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	1)Withdrawn (28-Mar-22)	1)CARE A-; Stable (30-Mar-21) 2)CARE A-; Stable

								(07-Apr-20)
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LT: Long term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities-** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

**Contact us**

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