

## Prompt Engineering Private Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE BB; Stable / CARE A4	Reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the instruments of Prompt Engineering Private Limited (PEPL) has been removed from the rating watch with negative implications on account of release of M3M group's promoters/directors who were previously arrested by the Enforcement Directorate (ED) under the Prevention of Money Laundering Act, 2002 and consequentially there has been no adverse impact on business operations of the company. Further, the rating remains constrained due to ongoing ED investigation against promoters of the M3M group, limited geographic presence and competition along with inherent cyclical nature of the real estate sector.

However, the rating continues to draw comfort from healthy sales and collection momentum with nil reliance on long-term loan and completion of the projects earlier than the envisaged timelines. The rating also takes cognizance of strong execution and sales track record of M3M group in the real estate sector of Gurugram, Haryana and experience in real estate industry.

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

#### Positive factors

- No impact on the liquidity profile of the company followed by positive outcome of the ongoing proceedings
- Increase in monthly collections beyond Rs.20 crore on sustained basis leading to increase in the cash margins for the Bank guarantee limits.

#### Negative factors

- Slowdown in the sales momentum or major delay in realization of customer advances of the projects with collections to below Rs.12 crore per month
- Any upcoming debt funded new project leading to additional execution and saleability risk along with the increase in debt
- Any major business disruption in the company due to the ongoing money laundering case on the ultimate promoters

### Analytical approach:

Standalone

### Outlook: Stable

The "Stable" outlook reflects that entity is likely to sustain its collection and sales momentum with adequate liquidity position as reflected by negligible debt repayment obligations and moderate cash balances.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Limited geographic presence and competition

All the ongoing projects in PEPL is a part of single land parcel located in the Gurugram, Haryana region leading to considerable geographic concentration. Any downturn in such micro markets may impact developer's revenues going forward. However, the company project comprises of mix of high street retail, office, residential units and service apartments all at one place, thereby reducing the risk to certain extent. Apart from this M3M as a group is also planning to expand its geography wherein, they are in process of launching new projects in Noida, Uttar Pradesh region in near future.

##### Inherent cyclical nature of the real estate sector

The company is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies,

<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

the profitability is highly dependent on property markets. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

### **Ongoing ED investigation against promoters of the M3M group**

The promoters of the M3M India Pvt Ltd (parent company of Prompt Engineering) have been facing ED enquiry under which the ultimate promoters (Mr. Roop Kumar Bansal, Mr. Basant Bansal and Mr. Pankaj Bansal) were arrested by ED for a period of 3 months. However, later on the promoters have been released on bail by the regulatory authority and the business operations continues to remain unaffected despite of the ongoing investigation against the M3M group.

The ED charges were related to two matters pertaining to unauthorized transaction with IREO group for total value of Rs.400cr and favourable outcome by Judge Sudhir Parmar for the cases related to M3M group legal cases.

Regarding the first issue of unauthorized transaction of Rs.400cr, as per the company, the dealing was on arm length basis and also as a precautionary measure M3M group has submitted the ownership document of a land parcel with estimated market value of Rs.400cr with the regulatory authorities. The said arrangement is done to avoid any major business disruption going forward. In the second case, as per the company, in the past no case of M3M group has been heard in the court of Justice Sudhir Parmar. It may be noted that none of them is the director in Prompt Engineering Private Limited (PEPL).

However, considering any major adverse decision against the promoter of the company or any entity by the regulatory authority, impacting the financial risk profile of the group as a whole or Prompt Engineering, would remain a rating concern.

### **Key strengths**

#### **Experienced promoters and successful track record of the M3M group in residential real estate development**

The promoters of the group have been associated with the real estate industry for more than a decade. Mr. Roop Kumar Bansal and Mr. Pankaj Bansal has been undertaking multiple projects in different SPV's under the brand name of 'M3M'. M3M Group has completed 177 lakh square feet of development and recognised as one of the prominent real estate developers in Gurugram, Haryana region. Also, presently the group is having 27 ongoing projects with saleable area of 351 lakh square feet.

#### **Completion of the projects earlier than the envisaged timelines**

All the ongoing projects under PEPL namely M3M Corner Walk - Retail (8.04 Isf), M3M Corner Walk- Residential (4.40 Isf) and M3M Corner Walk - Office & Studio Apartments (5.40 Isf) are almost completed with only finishing work left. The project has been completed well before the scheduled timelines as mentioned in the sanction letter viz. Mar'25 and has received Occupation Certificate respectively.

#### **Healthy collections and sales momentum**

Earlier the company has launched 2 out of 3 projects and during FY24 the company has launched its 3rd project (offices and studio apartments). As on March 31, 2024, PEPL has almost fully sold residential project area of 4.37 Isf i.e 99% of the inventory for sale value of Rs.323 crores with collection efficiency of ~100%. Further in retail segment, the company has sold 4.56 Isf area i.e ~60% of the inventory for sale value of Rs.492 crores of which Rs.466 crores i.e ~95% has been received as on March 31, 2024. The other project launched in FY24 consisting of offices and studio apartments has been able to maintain healthy sales momentum stating ~80% area sold out of studio apartments for the sales value of Rs.307 crores and has been able to garner collections of Rs.131 crores till March 31, 2024 reflecting major portion of the sales is coming through the launch the studio apartments in Feb'24.

On a consolidated basis, the company has sold around 80% of the inventory and has unsold inventory valued at Rs.312 crores as on March 31, 2024. The committed receivables from the sold units stood Rs.233 crores which are more than enough to cover the balance project cost of Rs.114 crores.

#### **Nil reliance on long-term debt**

The company has taken term debt of Rs200cr for funding the construction of the project. However, with the early completion and receipt of OC for projects and subsequent healthy collections, the company has fully prepaid the debt. Presently the company is only having Bank Guarantee (BG) of Rs.100cr used by 15 group companies which is Rs.83.18 crores outstanding as on March 31, 2024. Further as per terms of the sanction letter, post repayment of the term loan the company is utilising 60% of the collection towards increase in margin money of the BG up-to 100% from the present 10%. Therefore, going forward major portion of the collection will be utilized towards the increase in margin money on the outstanding BG. Presently there is built up of margin money upto ~Rs.33 crores against o/s BG of Rs.83.18 crores.

### Liquidity: Adequate

The liquidity of the company is adequate as reflected by consistent customer collection and sales momentum. The company has balance confirmed receivables of Rs. ~233 crore as on March 31, 2024. During last 12 months period ended March 31, 2024, the company has recorded total collections of Rs. 186 crores, reflecting average monthly collections of ~Rs. 16crores. PEPL doesn't have debt repayment obligation to the lenders and has non-fund based limits of Rs.83.18 crores as on March 31, 2024 against which there is built up of margin money upto 40%. It may be noted that the company is utilising 60% of the collection towards increase in margin money of the BG up-to 100%.

### 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](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

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

Prompt Engineering Private Limited (PEPL) is a Closely held company promoted by Mr. Nitin Khanna and Mr. Dilip Kumar Singh. PEPL has been developing three projects under the name of M3M Corner Walk i.e. M3M Corner Walk (Retail), M3M Corner Walk (Office & Studio Apartments) and M3M Corner Walk (Residential). The project is located in sector-74, Gurgaon, Haryana with total area to be built under all four projects are 17.84 lsf.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	260.55	437.71
PBILDT	74.63	88.58
PAT	55.14	67.77
Overall gearing (times)	0.61	0.04
Interest coverage (times)	1,529.36	4,840.33

A: Audited; 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
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	100.00	CARE BB; Stable / CARE A4

**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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Jun-23)	1)CARE BBB-; Stable (05-May-22)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	100.00	CARE BB; Stable / CARE A4	-	1)CARE BB / CARE A4 (RWN) (23-Jun-23) 2)CARE BBB; Stable / CARE A3+ (06-Jun-23)	1)CARE A3 (05-May-22)	-

LT: Long term; LT/ST: Long term/Short 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	Non-fund-based - LT/ ST-Bank Guarantee	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.

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