

Paloma Realty LLP

October 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	100.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Paloma Realty LLP (PRLLP) factors in the project's execution risk with its nascent stage, exposure to funding risk, and constitution of the entity being partnership firm. The rating is also constrained by PRLLP's susceptibility to cyclical risk in real estate sector and project concentration risk.

However, the rating derives comfort from resourceful partners, favourable location of the project and maintenance of escrow account and debt service reserve account (DSRA) of three months interest and principal.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant improvement in sales and collections, resulting in considerable improvement in cash flow from operations and liquidity position.
- Satisfactory progress in project execution without any delay or cost overrun along with substantial increase in sales.
- Improvement in % of committed receivables to (balance cost + outstanding total debt) above 75% on a sustained basis.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Delay in project execution resulting in cost overrun and deterioration in liquidity position.
- Slowdown in sales resulting in % of committed receivables to (balance cost + outstanding total debt) below 50% or significant debt-funded investments in new projects resulting in deterioration in liquidity position and debt protection metrics.
- Deterioration in cash coverage ratio below 1.2x on a sustained basis, impacting liquidity position.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectations that the firm is likely to benefit from extensive experience of promoters and adequate sales velocity backed by favourable location while maintaining limited reliance on external debt.

Detailed description of key rating drivers:

Key weaknesses

Exposure to execution risk with nascent stage of the project

As on June 30, 2025, the construction cost incurred on the project stood at ₹11 crore, which is 3% of the expected construction cost of ₹322 crore (excluding last cost), reflecting nascent stage of the project with high execution risk. Therefore, timely execution of the project without cost overrun, will be crucial from the credit perspective.

Exposure to funding risks

The cost to be incurred on the project majorly depends on customer advances, hence timely sales and collections for the project will be a key monitorable. Around 67% of the project funding depends on customer advances and bank loans. The committed receivables cover 60% of the balance project cost and sanctioned debt as on June 30, 2025.

Susceptibility to cyclical risk in real estate sector and project concentration risk

The firm is exposed to geographical concentration risk due to its single project being in the Kanpur area. Moreover, being a cyclical industry, the residential real estate sector highly depends on macroeconomic factors, which exposes its sales to any downturn in demand and competition within the region from various established developers.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Constitution of the entity being partnership firm

Paloma Realty's constitution as a partnership firm (LLP) makes it susceptible to inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency/separation of the partners.

Key strengths

Resourceful partners; favourable location

The promoters possess over two decades of experience across diverse business sectors. They are involved in multiple industries, including jewellery showrooms, edible oil refineries, leather chemicals, footwear accessories, solvent extraction plants, and real estate development. In case of any cash flow mismatch, the promoters are expected to support the firm's ongoing project through unsecured loans. Majority of the equity portion is already incurred on the project. Additionally, the project is strategically located in Kanpur, offering excellent connectivity and infrastructure support.

Maintenance of DSRA, with no major repayment obligation in the near term

The project's cashflows are routed through escrow account and the firm maintains DSRA of three months interest and principal which ensures timely appropriate fund deployment and debt servicing. There is no principal debt commitment in the near-term as principal repayment of the term loan is scheduled to commence after the completion of the project from June 2029 onwards.

Liquidity: Stretched

The liquidity is stretched on account of high reliability on timely sales and customer advances to execute the project and servicing of debt obligation. The cash and bank balance of the firm stood at ₹15.14 crore as on March 31, 2025. The firm is currently in the initial stage of construction and yet to generate adequate revenue from the project. Though there is no major debt commitment in the near term, monthly interest to be serviced as of now and principal repayment of the term loans is scheduled to commence after the completion of the project, from June 2029 onwards.

Assumptions/Covenants: Not applicable

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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

Kanpur-based Paloma Realty LLP, incorporated in 2020 is engaged in real estate development. The firm is managed by Mahesh Chandra Jain and Abhishek Agarwal. Currently, Paloma Realty is developing a premium residential project titled "Paloma – The Grandeur", situated in Kanpur. The project features 93 4BHK units spread across three wings, with a total saleable area of 5.59 lakh square feet. Positioned as a high-end offering, the project is scheduled to be completed by May 2029.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	0.00	0.78
PBILDT	0.03	0.18
PAT	0.00	-0.53
Overall gearing (times)	0.06	0.38
Interest coverage (times)	149.38	0.12

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2030	100.00	CARE BB; Stable

LT: Long term

Annexure-2: Rating history for 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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	100.00	CARE BB; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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