

Ireo Grace Realtech Private Limited

January 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	47.50	CARE BBB-; Negative [Triple B Minus; Outlook: Negative]	Revised from CARE BBB [Triple B]
Total Facilities	47.50 (Rupees Forty Seven crore and Fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in the rating assigned to the bank facilities of IREO Grace Realtech Private Limited (IGPRL) takes into account the slowdown in the new bookings of existing projects leading to moderation in financial performance during FY16 (refers to the period April 1 to March 31). The rating, however, continues to derive strength from experienced promoters/management and their established track record in executing real estate projects and moderate cash flow from the existing sales. The rating is, however, constrained due to high dependence on customer advances, project execution risk with significant portion of the cost yet to be incurred and subdued outlook for the real estate industry.

Going forward, the ability of the company to timely execute the project within the envisaged cost, timely recovery of the customer advances and increase in fresh bookings to generate additional cash flow shall be the key rating sensitivities.

Outlook: Negative

The outlook is "Negative" on the back of subdued demand in the real estate sector specifically in Gurgaon (Haryana) region which may have a further adverse impact on the collections and future sales of the company. The outlook may be revised to stable with timely pick up in the booking status of the project.

Detailed description of the key rating drivers

Incorporated in 2010, Ireo Grace Realtech Pvt Limited (IGRPL) is part of the IREO group, a real estate private equity fund with investable assets of USD 1.7 billion. Presently, IGRPL is developing a residential group housing project in Gurgaon under the name of 'IREO The Corridors' on a land area of 37.5 acres comprising of 2,009 units in a phased manner. IGRPL has accumulated land bank in Gurgaon region and proposes to launch more projects going forward.

The company has incurred 60% of the construction cost in Ph-1 of the project while has only completed the basement under Ph-2. Moreover, on account of subdued demand in the sector, there has been no fresh booking during FY15 to 9MFY17 and with some cancellation over period of time, the sold area has also come down to 15.04 as on November 30, 2016. Thus, the project execution and salability risk persist.

With the revision of the funding pattern, the company proposes to fund the Ph-1 of the project through Rs.350 crore of debt and remaining through customer advances as against Rs.200 crore of debt as envisaged earlier. Though IGPRL has already received sanction for Rs.200 crore of debt, the financial closure of additional debt of Rs.150 crore is yet to be received. Therefore, with the increase in debt level from as envisaged at the beginning of the project, has resulted in moderation of the financial risk profile. Going forward, it is imperative for the company to make fresh sales or infuse additional equity to support the project completion and debt repayment.

Analytical approach: Standalone

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Financial ratios – Non-Financial Sector](#)**About the Company**

Incorporated in 2010, Ireo Grace Realtech Pvt Limited (IGRPL) is part of the IREO group, a real estate private equity fund with investable assets of USD 1.7 billion. Presently, IGRPL is developing a residential group housing project in Gurgaon under the name of 'IREO The Corridors'. IGRPL has accumulated land bank in Gurgaon region and proposes to launch more projects going forward. Presently, IGRPL has launched one GH housing project (The Corridors) on a land area of 37.5 acres comprising of 2,000 units.

During FY16 (refers to the period April 1 to March 31), IGRPL has reported net loss of Rs.12.05 crore on a total operating income of Rs.1.73 crore as against net loss of Rs.9.56 crore on a total operating income of Rs.3.38 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1: Details of Instruments/Facilities :-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees	-	-	-	47.50	CARE BBB-; Negative

Annexure 2: Rating History for last three years:-

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Chronology of Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - ST-Term loan	ST	0.00	Withdrawn	-	1)Withdrawn (21-Mar-16)	1)CARE A3+ (11-Mar-15) 2)CARE A3+ (22-Apr-14)	-
2.	Non-fund-based - LT-Bank Guarantees	LT	47.50	CARE BBB-; Negative	-	1)CARE BBB (21-Mar-16)	1)CARE BBB (11-Mar-15) 2)CARE BBB (22-Apr-14)	-

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