

## Ireo Grace Realtech Private Limited

July 19, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	497.50	<b>CARE D (Single D)</b>	Revised from CARE BB; Negative (Double B; Outlook: Negative)
<b>Total Facilities</b>	<b>497.50</b> <b>(Rupees Four Hundred Ninety Seven crore and Fifty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in the ratings of Ireo Grace Realtech Private Limited (IGRPL) takes into account the delay in repayment of its debt obligations for the month of June 2018. The delays were largely attributable to slow sales momentum and lower sales realization which adversely impacted the liquidity of the company leading to delays.

Going forward, the company's ability to service the debt obligations in a timely manner, completion of ongoing projects without time and cost overrun leading to higher booking status, stage payments and thereby improving the overall liquidity profile of the company shall remain the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### **Delay in debt servicing**

The company has delayed in debt repayment on account of cash flow mismatches on the back of subdued real estate scenario, significant drop in sales momentum and sales realizations.

##### **Project execution risk**

IGRPL has revised its construction plan and has decided to execute the project in a phased manner. While the Phase 1 of the project is at advanced stage of execution; only basement work is completed in Ph-2. The company would be developing Ph-2 once Ph-1 is successfully completed and delivered.

The company has revised the total project cost which is now being envisaged at Rs.1,572 crore as against Rs.1,419 crore envisaged earlier. The revision in the cost is mainly on account of increased interest expenses. Earlier IGRPL had planned to fund the project 'The Corridor Phase-1' with a debt of Rs.350 crore; however, IGRPL now has revised the funding pattern with project to be funded by a debt of Rs.450 crore. IGRPL has also revised the envisaged overall revenue from the project to Rs.2,090 crore as against Rs.2,364 crore envisaged earlier on account of falling realizations with the slowdown in the real estate market.

##### **Arbitration Proceedings**

A criminal case has been filed in India besides arbitration proceedings in New York and Mauritius with respect of siphoning of funds by Ireo's top management. The matter is currently subjudice and the company has denied any wrong doing in this regard in their reply to the Economic Offences Wing. Any adverse outcome of the same will further weaken the credit profile of the company.

##### **Subdued industry scenario**

The real estate market in Delhi-NCR has seen slow-down in the sales in past few quarters. Competitive pricing, increased transparency, speedy approvals process, clear land titles, improved delivery and project execution are expected to support growth of the real estate sector. While the sector continues to remain troubled with issues of high unsold inventory, delayed delivery of projects and financial stress on developers, the only segment that showed some signs of a

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

rebound was the affordable housing category in the peripheries of the major markets. The broader market opinion is that while the long term story for residential market remains strong; the short term is expected to be sluggish.

### Key Rating Strengths

#### Experienced promoters and management team

IGRPL is promoted by IREO, a private equity fund with assets of ~USD 1.7 billion invested in India. IGRPL is managed by professionals with experience in the real estate industry. The overall operations of the company are managed by team of professionals which includes Mr. Anupam Nagalia (Chief Operating Officer), who is a qualified Chartered Accountant and Company Secretary. Before joining IGRPL, he has worked with Vatika Group. Mr. Jai Bharat Aggarwal (Director Finance) is responsible for making financial decisions for the company. IREO group has established its track-record of delivery with completion of two group housing projects in group company Ireo Private Limited having more than 27.59 lakh square feet (lsf) of saleable area in Gurgaon region. Furthermore, IREO Group has also handed over 22 villas, 17 floors and 205 plots in township project at Ludhiana developed under group company Ireo Waterfront Private Limited and handed over 200 plots in Mohali developed under group company Puma Realtors Private Limited.

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

#### About the Company

Incorporated in 2010, Ireo Grace Realtech Private 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 2,009 units.

Brief Financials (Rs. crore)	FY16(A)	FY17 (A)
Total operating income	1.73	409.92
PBILDT	(101.19)	119.75
PAT	(12.05)	23.80
Overall gearing (times)	0.81	0.75
Interest coverage (times)	0.58	3.64

A: Audited

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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
Fund-based - LT-Term Loan	-	-	Oct - 22	450.00	CARE D
Non-fund-based - LT-Bank Guarantees	-	-	-	47.50	CARE D

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - ST-Term loan	ST	-	-	-	-	-	1)Withdrawn (21-Mar-16)
2.	Fund-based - LT-Term Loan	LT	450.00	CARE D	1)CARE BB; Negative (04-Jul-18)	1)CARE BBB-; Negative (16-Jan-18) 2)CARE BBB-; Negative (12-Jul-17)	1)CARE BBB-; Negative (24-Jan-17)	1)CARE BBB (21-Mar-16)
3.	Non-fund-based - LT-Bank Guarantees	LT	47.50	CARE D	1)CARE BB; Negative (04-Jul-18)	1)CARE BBB-; Negative (16-Jan-18)	-	-

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