

Press Release

Parsvnath Estate Developers Private Limited

March 27, 2021

Rating

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Proposed Non-Convertible Debenture (NCD)	75.00	IVR B+/ Stable Outlook; (IVR B Plus with Stable Outlook)	IVR B+/ Stable Outlook; (IVR B Plus with Stable Outlook)	Reaffirmed
Allocated NCD	25.00	IVR B+/ Stable Outlook; (IVR B Plus with Stable Outlook)	IVR B+/ Stable Outlook; (IVR B Plus with Stable Outlook)	Reaffirmed
Total	100.00 (Hundred Crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the non-convertible debentures of Parsvnath Estate Developers Pvt. Ltd. (PEDPL) derives comfort from its experienced promoters and location advantage. The rating strengths are partially offset by weak financial risk profile of the company and susceptibility of operating performance to cyclicity inherent in the real estate sector, and deterioration in performance coupled with vacating of the leased area by existing clients.



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Key Rating Sensitivities

Upward Factor

- Significant improvement in the cash accruals through lease income for a considerable time

Downward Factor

- Any delay in entering into the lease agreement for the entire leasable area as projected will be negative for the rating.
- Delay in issuance of non-convertible debentures
- Prolonged downturn in the real estate sector

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

The Promoters of the company had a long track record of more than two decades in the real estate sector. The promoters are supported by a team a qualified & experienced management.

Locational Advantage

Parsvnath Capital Towers (PCT) is located at Bhai Veer Singh Marg, New Delhi. PCT is located at the run of 2 minutes from Connaught place which is a renowned market itself in Delhi. Further, connectivity to nearby metro, airport access line, and major arterial roads makes it more opportunistic place to attract the tenants. PCT also has various conspicuous hotels situated within the range of 3 kms namely- The Metropolitan hotel, The Imperial, Shangri-La and others.

Key Weaknesses

Weak financial risk profile

The financial risk profile of the company remained weak marked by continuous net as well as cash loss due to subdued operating performance of the company in the past three fiscals. Further, continuous net loss eroded the net worth of the company.

Susceptibility to cyclicality inherent in the Real Estate sector

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The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The uncertainty pertaining around Covid-19 also dent the demand of commercial as well as residential real estate demand.

Deterioration in performance coupled with vacating of the leased area by existing clients

Company has reported deteriorated income at Rs. 75.20 crore for FY20 coupled with subdued nine months performance for FY21 indicating stress on inflows to meet the debt obligations. Company has reported that clients such as Indiabulls and Civic services has moved out of the facility in FY21 due to covid-19 situation, which might further deteriorate the performance of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched

The liquidity seems to be stretched marked by its partial rental occupancy as on date. Further, any delay in finalising the lease agreements for the unleased area can put pressure on the cash flow of the company.

About the Company

Incorporated in year 2007, Delhi based Parsvnath Estate Developers Pvt. Ltd. (erstwhile, Farhat Developers Private Ltd.) is a special purpose vehicle to develop A-Grade modern state of art office cum commercial complex of International standards, located on Bhai Veer Sing Marg. Later in August 2010, company became subsidiary of Parsvnath Developers ltd.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Audited

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For the year ended*	31-03-2019	31-03-2020
Total Operating Income	89.09	75.20
EBITDA	60.84	62.25
PAT	-77.42	-112.82
Total Debt	851.66	1172.09
Tangible Net worth	-675.34	-789.69
EBITDA Margin (%)	68.29	82.78
PAT Margin (%)	-86.77	-146.58

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Non- convertible debentures	Long Term	100.00	IVR B+/Stable	IVR B+/Stable As on June 25, 2020	IVR B+/Stable As on April 13, 2020	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Malik
 Tel: (011) 24655636
 Email: rmalik@infomerics.com

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sl. No.	Instrument/Facility	Limit (INR Crore)	Coupon Rate	Rating Reaffirmed	Maturity
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1	Proposed Non-Convertible Debenture (NCD)	75.00	-	IVR B+/ Stable Outlook; (IVR B Plus with Stable Outlook)	-
2.	Allocated NCD	25.00	10% p.a. (Until June 30, 2021)	IVR B+/ Stable Outlook; (IVR B Plus with Stable Outlook)	Until March 31, 2025
			12% p.a. (July, 2021 until June 31, 2022)		
			17% p.a. (July 01, 2022 onwards until final settlement date)		
	Total	100.00	(IRR- 20% P.A.)		