



Press Release

Parsvnath Estate Developers Private Limited

April 04, 2022

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
NCD (Placed)	24.18 (Rupees Twenty Four crore and Eighteen lakh only)	IVR C/ Stable (IVR C with Stable Outlook)	IVR C; Issuer Not Cooperating* (IVR C; Issuer Not Cooperating*)	Reaffirmed; Removed from ISSUER NOT COOPERATING category	Simple
Proposed NCD	75.00 (Rupees Seventy Five crore only)	IVR C/ Stable (IVR C with Stable Outlook)	IVR C; Issuer Not Cooperating* (IVR C; Issuer Not Cooperating*)	Reaffirmed; Removed from ISSUER NOT COOPERATING category	Simple

**Issuer did not cooperate; based on best available information*

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics had migrated the ratings assigned to Parsvnath Estate Developers Private Limited's (PEDPL's) NCDs to the 'ISSUER NOT COOPERATING' category vide Press Release dated March 25, 2022 because of non-receipt of annual fee for monitoring the ratings. Subsequently, the company has paid the annual fee. Based on this, Infomerics has removed the ratings from the 'ISSUER NOT COOPERATING' category.

The ratings continue to remain constrained by the significant delay in leasing the project area leading to deterioration in PEDPL's financial performance in FY21 and 9MFY22, its weak financial risk profile and stretched liquidity, and susceptibility of its operations to cyclicity inherent in the real estate sector.

PEDPL's ratings continue to factor in the experience of its promoters and locational advantage.

Key Rating Sensitivities:

Upward Factors

- Sustained, significant improvement in the cash accruals through lease income

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

PEDPL is a subsidiary of Parsvnath Developers Limited (PDL). PDL was incorporated in 1990 and has more than three decades of experience in real estate industry.

Locational advantage



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Parsvanath Capital Towers (PCT), the project being managed by PEDPL, is located at Bhai Veer Singh Marg, New Delhi. PCT is located within walking distance of Connaught Place which is a renowned market in Delhi. Further, it is located near a metro station, major arterial roads and has airport access line, making it well connected for tenants.

PEDPL is leasing out the project in two phases. Phase-1 of the project, with a leasable area of 2.11 lakh sq. ft., became operational in FY14, while Phase-2 of the project, with a leasable area of 1.13 lakh sq. ft. became operational in May 2021.

Key Rating Weaknesses

Significant delay in leasing out the entire area

PEDPL was earlier expecting that it will be able to complete the leasing out of the entire project by July 2022. However, with the continuation of 'work from home' policy by many corporates, because of the increase in covid cases in India, there is a significant delay in leasing out the area. Around 61% of the leasable area under Phase-1 of the project is currently leased out, whereas leasing out is still to commence in Phase-2 of the project. Going forward, PEDPL is expecting that the leasing out of the entire area will be completed by July 2023.

Deterioration in financial performance in FY21 and 9MFY22

PEDPL's total operating income deteriorated from Rs.75.22 crore in FY20 to Rs.63.55 crore in FY21 on account of discontinuation of leases by two clients, namely Facebook and Regus, during the year. Consequently, occupancy levels declined from around 72% in FY20 to around 61% in FY21. During 9MFY22, PEDPL reported total operating income of Rs.46.76 crore as against Rs.48.66 crore in 9MFY21. PEDPL has not been able to lease out any additional space in 9MFY22 due to continuation of 'work from home' policy at many companies.

Weak financial risk profile

The financial risk profile of the company remained weak marked by continuous net loss as well as cash loss due to subdued operating performance of the company in the past three fiscals (i.e. FY19-21). Further, continuous net loss has eroded the company's networth. With high debt, and consequent high interest expense, the company's capital structure and debt protection metrics continue to remain weak. Interest coverage ratio was at 0.45x in FY21 and 0.31x in 9MFY22.

Susceptibility to cyclicality inherent in the real estate sector

The real estate sector in India is cyclical and affected by volatile prices, and a highly fragmented market structure. Hence, PEDPL's business risk profile continues to remain exposed to risks arising from any industry slowdown.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)



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Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity: Stretched

The liquidity is stretched marked by its partial rental occupancy as on February 28, 2022. Further, any delay in finalising the lease agreements for the unleased area can put further pressure on the cash flow of the company.

About the Company:

Incorporated in year 2007, Delhi based PEDPL (erstwhile, Farhat Developers Private Ltd.) is a special purpose vehicle to develop A-Grade modern state of art office- cum-commercial complex, called Parsvnath Capital Towers (PCT). PCT is located at Bhai Veer Sing Marg, New Delhi. In August 2010, the company became subsidiary of Parsvnath Developers Limited and the name was changed from Farhat Developers Pvt. Ltd. to Parsvnath Estate Developers Pvt. Ltd.

Financials (Standalone):

(Rs. crore)

For the year ended / As on*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	75.22	63.55
EBITDA	62.26	51.67
PAT	-112.82	-106.30
Total Debt	1172.09	1315.53
Tangible Net worth	-789.70	-882.57
Ratios		
EBITDA Margin (%)	82.78	81.30
PAT Margin (%)	-146.55	-165.80
Overall Gearing Ratio (x)	Not meaningful	Not meaningful

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 25, 2022)	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.	NCD (Placed)	Long Term	24.18	IVR C/ Stable	IVR C; Issuer Not Cooperating*	IVR B+/ Stable (March 27, 2021)	-	-
2.	Proposed NCD	Long Term	75.00	IVR C/ Stable	IVR C; Issuer Not Cooperating*	IVR B+/ Stable (March 27, 2021) IVR B+/ Stable (June 25, 2020) IVR B+/ Stable (April 13, 2020)	-	-

**Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors

Annexure 1: Details of Instruments:

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
NCD (Placed)	INE244P07037	June 29, 2020	<ul style="list-style-type: none"> • 10% p.a. (until June 30, 2021) • 12% p.a. (July 01, 2021 until June 30, 2022) • 17% p.a. (July 01, 2022 until final settlement date) 	March 31, 2027	24.18	IVR C/ Stable
Proposed NCD	-	-	-	-	75.00	IVR C/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:



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(i) NCD of Rs.24.18 crore:

- There shall be no change in shareholding pattern of the Issuer.
- Until the final settlement date, the issuer shall ensure that it does not qualify as an NBFC and/or a CIC; and its financial assets are not more than 50% of its total assets (netted off by intangible assets) and income from its financial assets are not greater than 50% of its gross income.

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.

