

Press Release

PBSR Developers Private Limited

D-U-N-S® Number: 87-378-5923

May 03, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 100.00 crore bank facilities of PBSR Developers Private Limited (PBSR). The outlook is '**Stable**'.

Incorporated in 2012, PBSR is a special purpose vehicle of Patel Engineering Limited (PEL) promoted by Mr. Pravin Patel and Mr. Rupen Patel, promoters of PEL. PBSR is currently developing a residential project (Smondo Gachibowli) in Hyderabad (Telangana State) started in November 2015 with total saleable area of 7.11 lakh square foot (sft) spread across 672 units under three towers. The total cost of the projects is Rs.388 crore and is expected to be completed by December 2020.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PBSR to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The promoters have around four decades of experience in construction and development of properties. The company is a wholly owned subsidiary of Patel Engineering Limited (PEL). PEL has been engaged in the construction of dams, bridges, tunnels, roads, piling works, industrial structures and other kinds of heavy civil engineering works in areas like hydro, irrigation & water supply, urban infrastructure and transport. The promoters under the group have developed 5 other residential projects with saleable area of about 2.4 million sft. The promoters under PBSR has taken up a new project for development of a residential project in Hyderabad with a saleable area of about 7.11 lakh sft. The construction started in November 2015 and management expects the projects to be ready for handover by December 2020.

Acuité believes that the promoters' experience in the construction and real estate industry, and improving demand for the residential units in Gachibowli area are expected to support in successful sale of the units, and timely completion of the project.

• Low funding risk

The company is currently developing a project (Smondo Gachibowli) at a cost of about Rs.388.00 crore. The project is proposed to be funded out of promoters' contribution of about Rs.29.90 crore (~8 percent of project cost), bank funding of about Rs.89.43 crore (~23 percent) and customer advances of about Rs.269.00 crore (~69 percent). The company has successfully completed the financial closure and have drawn about Rs.70.0 crore from the term loan; the promoters have brought in their entire share in time. With physical completion status of about 74.44 per cent, PBSR is able to mobilise around Rs.169.66 crore as of February, 2019. For the balance part of work execution of about Rs.99.20 crore, the company will be using customer advances and over draft account, wherein advances to be received from the booked space is Rs.80.40 crore and unsold inventory of Rs.162.70 crore aggregating to advances of Rs.243 crore.

Acuité believes that with sizeable chunk of payments expected from the flats already sold and inventory besides overdraft limits, PBSR is likely to complete the project without any time over run.

Weaknesses

• Moderate booking levels

As on February 2019, the company has sold 4.48 lac sq. ft. out of 7.11 lac sq. ft, which is 63 per cent of total space. The company has sold 37,200 sq. ft. during September 2018 to February 2019 at an average of 2.6 per cent of total saleable area per quarter. Acuite believes that any stretch in salability and realisation are expected to adversely impact the timely completion of the project and thus exert pressure on the cash flows of the company.

• Inherent cyclicity in Real Estate sector

The real estate industry in India is highly fragmented with most of the real estate developers having a city-specific or region specific presence. The risks associated with real estate industry are cyclical in nature in terms of drop in property prices partly attributed to piling of high inventory, commercial space, economic downturn, building material availability issues, among others.

Liquidity

PBSR's liquidity is moderate as reflected by expected cash flows of about Rs.243 crore against Rs.99.20 crore of incremental cost for completion of the project by December 2020. Further, overdraft limits of Rs.30 crore is expected to support the liquidity to meet the repayment obligations of about Rs.70 crore over a period of three years till Q1FY2023.

Outlook: Stable

Acuite believes that the PBSR will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and long operational track record in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	115.94	0.01	0.01
EBITDA	Rs. Cr.	-8.01	13.04	13.54
PAT	Rs. Cr.	-16.05	-0.37	-0.66
EBITDA Margin	(%)	-6.91	96919.66	147700.71
PAT Margin	(%)	-13.84	-2750.27	-7195.48
ROCE	(%)	-7.76	13.69	31.25
Total Debt/Tangible Net Worth	Times	-6.69	-55.26	-55.77
PBDIT/Interest	Times	-0.57	0.98	0.95
Total Debt/PBDIT	Times	-15.29	8.18	6.51
Gross Current Assets (Days)	Days	419	6431025	6935531

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE BBB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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