

May 30, 2013

Facilities	Amount (Rs. Crore)	Rating
Long Term Demand Loan	30.00	SMERA C (Assigned)

SMERA has assigned a rating of '**SMERA C**' (read as **SMERA C**), to the fund based facilities of Prieska Real Estate Private Limited (PREPL).

The rating is constrained by significant project execution risks, saleability risks, high competition, and inherent cyclicity in the real estate sector. The rating also factors in PREPL's low net worth base and stretched financial position. Moreover, delays in repayment have also been observed in another group company. The above mentioned weaknesses are partially offset by PREPL's experienced management, which has four decades of experience in the real estate industry.

Peninsula Park is a Virar-based residential project having a built up area of 3.10 lakh sq. ft. (15 buildings; having 7 floors each). Revenues from the project are yet to be booked as eight buildings are only 14 per cent complete and the remaining seven buildings are 42 per cent complete. This exposes the project to significant execution risks; however the company has a policy of booking revenues only after the completion of the project. Accordingly, cash flows will continue to accrue despite not booking any revenue, which mitigates the cash flow pressure to some extent.

PREPL had work in progress (WIP) amounting Rs.27.8 crores as on December 31, 2012. SMERA believes that even a small execution delay could result in significant cost and time overruns consequently impacting debt repayment. The project saleability is a concern as only 13 per cent of the flats have been sold till date (that too, to family and friends). The rating factors in high competition in the middle income residential segment coupled with inherent cyclicity in the real estate sector. The rating is also constrained by PREPL's low net worth of Rs.3.7 crores (stagnant over the last three years). Furthermore, there have been instances of repayment delays in term loans availed by a group company for a similar Virar-based project.

The rating draws support from the promoters' long standing experience of almost four decades in the industry.

About the Company

PREPL, incorporated in August 1993, is a part of the Mumbai-based Parikh Group. The company was promoted by Mr. Pankaj Parikh, Mr. Vinod Parikh and Mr. Chetan Parikh. The other group companies are Parikh Builders (proprietary concern of Mr. Pankaj Parikh) and Parikh Investment & Development Private Limited (PIDPL). PREPL is a small regional player with major focus in Malad and Virar. The Parikh group has executed over 15 projects so far with built up areas ranging from

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0.07 lakh sq. ft. to 2.40 lakh sq. ft. The group is currently executing five projects (incl. Peninsula Park).

About the Project

Peninsula Park is a Virar-based residential project having a built up area of 3.10 lakh sq. ft. (saleable area of 3.33 lakh sq. ft. having 462 proposed flats and 57 shops). The project cost is estimated at Rs.81 crores, which is funded through a mix of promoter's funds, customer advances and bank borrowings.

The project was planned in FY2004-05, and the land acquisition and approvals were received in FY2008-09. The construction activities commenced in FY2011-12 and the project is expected to be completed by June 2014.

PREPL has not booked any revenues till FY2012-13 as the project was still under construction. The company's WIP as on March 31, 2012 stood at Rs.11.0 crores and Rs.6.0 crores in FY2010-11. The closing work in progress (WIP) as on December 31, 2012 was Rs.27.8 crores. The net worth stood at Rs.3.7 crores as on March 31, 2012 as compared to Rs.3.7 crores as on March 31, 2011.

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