

January 06, 2014

Facilities	Amount (Rs. Crore)	Rating
Long Term Demand Loan	30.00	SMERA D (Rating downgraded from SMERA C)

SMERA has downgraded its ratings on the bank facilities of Prieska Real Estate Private Limited (PREPL) to '**SMERA D' (read as SMERA D)**', from the previous rating of '**SMERA C' (read as SMERA C)**'. The downgrade primarily reflects PREPL's delays in servicing interest on debt obligations. SMERA, in its earlier rationale dated May 30, 2013, had highlighted the pressure on PREPL's weak financial position. PREPL's term loan is currently under moratorium period. The rating continues to remain constrained by the company's high leverage and stretched liquidity position. The rating is also constrained by the company's exposure to project execution risk and saleability risk amidst intense competition in the real estate sector, which is currently undergoing a slowdown. The aforementioned weaknesses are partially offset by PREPL's experienced management.

PREPL, incorporated in 1993, is a Mumbai-based real estate developer. PREPL's current project — Peninsula Park — is a Virar-based residential complex with a built-up area of 3.10 lakh sq. ft. (comprising 15 buildings of seven floors each). PREPL follows a policy of booking revenues only after completion of projects. The company is yet to book revenues from the Peninsula Park project as the construction of eight buildings is only 54 per cent complete and the construction of the remaining seven buildings is 80 per cent complete. PREPL is thus exposed to significant project execution risk. However, since the company books revenues only after the completion of the project, cash flows will continue to accrue and mitigate the liquidity pressure to some extent.

PREPL's work-in-progress (WIP) stood at Rs.36.14 crore as on March 31, 2013. SMERA believes that even a small execution delay may result in significant cost and time overruns, consequently impacting PREPL's debt repayment. Moreover, project saleability is also a concern as only 20 per cent of the flats (in Peninsula Park) have been sold till date. The rating factors in the intense competition prevalent in the middle income residential segment and the inherent cyclical in the real estate sector, which is currently undergoing a slowdown. The rating is also constrained by PREPL's low net worth of Rs.3.7 crore (stagnant over the last three years).

PREPL's promoters have long-standing experience of almost four decades in the real estate 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. PREPL has two group entities — Parikh Builders (proprietary concern of Mr. Pankaj Parikh) and Parikh Investment &

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Development Private Limited (PIDPL). PREPL is a small regional player with major focus on Malad and Virar. The Parikh group has executed over 15 projects so far with built-up areas ranging from 0.07 lakh sq. ft. to 2.40 lakh sq. ft. The group is currently executing five projects (including Peninsula Park).

About the project

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

The project was planned in FY2004–05 (financial year April 01 – March 31). The company acquired land and received the requisite approvals 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 in FY2012–13 as the project was still under construction. The company's WIP stood at Rs.36.14 crore as on March 31, 2013. PREPL's net worth stood at Rs.3.7 crore as on March 31, 2013.

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