

PARINEE REALTY PVT. LTD.

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CIN No.U45200MH1998PTC113833



31.12.2018

To,
BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai- 400001.

Ref: Parinee Realty Private Limited (Security Code No.: (955765)

Sub: Credit Rating obtained under regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir,

Pursuant to the Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit Crisil credit rating rationale dated 31.12.2018 with respect to non-convertible debt securities.

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

For Parinee Realty Private Limited

M. Ahmad

Ahmad Mashkooor
Compliance Officer



Ratings

CRISIL

An S&P Global Company

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Rating Rationale

December 31, 2018 | Mumbai

Parinee Realty Private Limited

Rating Reaffirmed

Rating Action

Rs.285 Crore Non Convertible Debentures
CRISIL B(SO)/Stable (Reaffirmed)
1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its rating on the non-convertible debentures (NCDs) of Parinee Realty Private Limited (PRPL) at 'CRISIL B(SO)/Stable'.

The rating reflects PRPL's exposure to project implementation risk, heavy dependence on sales and customer advances for funding construction cost, and high refinancing risk. These weakness are partially offset by the extensive experience of the promoters in the real estate sector, and prime location of the project.

Analytical Approach

The rated NCDs have been raised under PRPL to meet the construction expenses of the project (Parinee Eminence), which is housed under the partnership firm, Om Omega Shelters. PRPL owns a majority stake in Om Omega Shelters, and cash flow from the project will be used to repay debt. As per the escrow mechanism, cash flows from Parinee Eminence are ring fenced and unavailable to other projects in the group. Therefore, for arriving at the rating, CRISIL has analysed the business and financial risk profiles of the Parinee Eminence project. CRISIL has also consolidated cash flows developed under PRPL, as the surplus from group companies may be available for the project, and factored in the benefit thus available to project.

Please refer Annexure - Details of Consolidation, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Weakness

* Exposure to saleability and project implementation risk

Susceptibility to project implementation risk with respect to sale of the commercial project, given the early stage of construction, persists. The commercial building is complete till the plinth level, and all the prerequisite approvals related to construction commencement of sale building including Intent of Development and Construction Commencement certificate are already in place. Rehabilitation building is also complete till the 24th floor. Any delay in construction progress may impact the sales and flow of customer advances in the near to medium term thereby impacting the funding for the project.

* Heavy dependence on sales for project funding and high refinancing risk

Owing to sluggish demand in premium residential real estate projects across Mumbai, the project plan was changed to commercial office building from a residential project. Total construction cost has increased to Rs 1,322 crore from Rs 1045 crore earlier, of which around 38% is being funded through debt and promoters' contribution, and the remaining through customer advances. With Rs 10 crore of remaining debt available and promoter contribution entirely infused, dependence on sales and advances to fund the balance project cost is high.

The change in project plan has impacted the sales launch, resulting in lower-than-expected cash inflows. Also, the company has fixed debt obligations of Rs 124.5 crore each in fiscals 2020 and 2021, which is expected to be refinanced. Saleability and timelines of refinancing will remain key rating sensitivity factors.

Strengths

* Extensive experience of the promoters in the real estate sector, and prime location of the project

Promoters' experience of over five decades in the real estate construction and development business should continue to

support business risk profile. They have mainly focused on slum rehabilitation and society redevelopment projects, and have completed these projects with quality construction.

Inherent demand for small- to mid-size corporate office spaces in Worli, and the promoters' network amongst high networth individuals should ensure good saleability.

Outlook: Stable

CRISIL believes PRPL is exposed to refinancing risk in the medium term. However, benefits from the extensive experience of the promoters and prime location of the project persist. The outlook may be revised to 'Positive' if healthy saleability and flow of customer advances strengthens the cash flow position. The outlook may be revised to 'Negative' if lower-than-expected project progress or saleability, or substantial intake of debt to fund the project weakens key credit metrics.

Liquidity

Liquidity is weak due to early stage of construction for commercial building and heavy reliance on sales and customer advances for further construction. Company as of date has utilized 98% of its available bank lines. However, as external borrowing has been used to fund only 34% (outstanding debt to overall construction cost ratio) of project cost, there is some cushion for raising additional debt.

Given the early stage of construction and fixed debt obligation of Rs 142.5 crore each in fiscals 2020 and 2021, the company plans to refinance the current debt. Timely refinancing will remain a key rating sensitivity factor.

About the Company

Incorporated in 1998 and promoted by Mr Dilip Shah, PRPL is the flagship company of the Parinee group and houses all the ongoing and upcoming projects through several subsidiaries. The company has majority shareholding in Om Omega Shelters, which will be developing Parinee Eminence in Worli, with total saleable area 0.75 million square feet (msf).

The Parinee group was established in 1963 with the setting up of PD Construction (known as the PD group) by Mr Dilip Shah and his sons, Mr Vipul Shah and Mr Dhaval Shah. The group has developed projects covering 1.3 msf and has ongoing projects of around 2.6 msf across Mumbai.

About the project

The Worli project (Xclusive) was planned as a residential venture. However, due to slowdown in the residential segment across Mumbai, the group changed its strategy and is now constructing a commercial building (Parinee Eminence) on sale model. The building will have saleable area of 7.5 million sq ft. The project is expected to be completed by March 2023.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs. Cr.	157	174
Profit After Tax	Rs. Cr.	(27)	0
PAT margins	%	-17	0.1
Adjusted Debt/Adjusted Net worth	Times	10.08	7.67
Interest coverage	Times	0.61	1.02

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate %	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
INE939P07065	Non- Convertible Debenture	15-Jan-17	14%	15-Jan-21	285	CRISIL B(SO)/Stable

Annexure - Details of Consolidation

Fully consolidated entities
Parinee Contour Constructions Pvt. Ltd., Om Omega Shelters, Parinee realtors Pvt Ltd, Parinee Shelters Pvt Ltd, Greenbird Constructions Pvt Ltd

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non	LT	285.00	CRISIL			29-12-17	CRISIL	22-12-16	CRISIL BB-		--	--

Convertible Debentures	28-12-18	B(SO)/Stable			B(SO)/Stable		(SO)/Stable			
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All amounts are in Rs.Cr.

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Rating criteria for Real Estate Developers](#)

[CRISILs Criteria for Consolidation](#)

[The Rating Process](#)

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