Panchsheel Buildtech Private Limited

February 16, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	16.47 (Reduced from 279.01)	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE D (Single D); Stable outlook assigned
Total Bank Facilities	**16.47 (Rs. Sixteen Crore and Forty-Seven Lakhs Only)**		
Non Convertible Debentures	40.33 (Reduced from 93.90)	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE D (Single D); Stable outlook assigned
Total Long Term Instruments	**40.33 (Rs. Forty Crore and Thirty-Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings to the bank facilities/instruments of Panchsheel Buildtech Private Limited (PBPL) have been revised on account of timely servicing of debt obligations, progress in realizing the advances from customer, moderate sales momentum, experienced promoters and track record in real estate business.

The rating, however, continues to remain constrained on account of support to group company, project execution risk, high dependence on customer advances for project execution and debt repayment, stretched liquidity position, project execution risk and subdued real estate scenario coupled with impact of Covid-19.

Rating Sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade

- Completion of the project within the envisaged timelines and without any significant cost overrun
- Improvement in sales realisation and collection efficiency than estimates

Negative Factors- Factors that could lead to negative rating action/downgrade

- Slowdown in the sales momentum or major delay in realization of customer advances of the on-going projects

Detailed description of the key rating drivers

Key Rating Strengths

Timely servicing of debt obligations

At the time of last rating, there has been delays in the debt servicing for the term loan taken from Altico Capital India Limited. The delays were majorly due to lender being in NCLT and no clarity on the future of the lender. However later during Aug'2021, the loan of Altico Capital India Limited is being taken over by Asset Care and Reconstruction Enterprise Limited (ACRE) and the loan was rescheduled with revised repayment terms and terms and conditions. Post assignment of loan to ACRE, the company has been making repayment regularly and there has been no delays in repayment since Aug'21.

Further due to better liquidity, the company has prepaid ACRE loan to the extent of Rs.25cr and has current outstanding of Rs.195cr as on Jan 31, 2022 as compared to required outstanding of Rs.200cr on March 31, 2022.

Experienced promoters and track record in real estate business

Panchsheel Buildtech Private Limited incorporated in 2006 is the flagship company of Panchsheel Group. The Company derives strength from extensive experience of its promoter Mr. Ashok Chaudhary who has over two decades of experience in undertaking commercial & residential projects in Delhi & NCR region. The group has to its credit the successful completion of residential and commercial complexes admeasuring 38 lsf primarily in Ghaziabad, Indirapuram and Sahibabad. The projects successfully delivered by group includes Greenaria, Panchsheel Well Bazaar, Panchsheel Square, Panchsheel Primrose and Panchsheel Wellington.

Progress in realizing the advances from customer

The company depends majorly on advances from customers and debt to finance its ongoing project. The company has sold 7136 units out of 9369 units till Dec 31, 2021. The company has received customer advance of Rs 2416 crore till December 31, 2021. The company faced difficulty in collecting advances from customer after March 2020 due to lockdown and impact of COVID-19 on economy. However, the collections from the customers improved for PBPL as the company had been able to sell 239 units for a total consideration of Rs. 132.43 crore for past 12 months ending December 31, 2021 with the collections of Rs.196.09 crores.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate sales momentum

As on Dec 31, 2021, the company has 7 ongoing project of which 4 are almost complete viz. **"Panchsheel Hynish", "Panchsheel Greens-1" , "Panchsheel Pratishtha" and "Panchsheel Pebbles"**. The company has sold 75% of area valued at Rs.2626 crore and has realized Rs.2416 crore. There has been major improvement in customer realization and the company has realized Rs.196.09 cr in the last 12 months.

Key Rating Weaknesses

Highly regulated real estate market with exposure to inherent competition and cyclicality

Executing a Real estate project requires various statutory approvals which includes building plan approval, No objection certificate from Fire and Emergency services department, power supply agreement with discoms. With Real Estate Regulation Act coming into force the cost for developers will increase as sales can only happen post registration with Real Estate Regulatory Authority, which is possible only after project receives requisite approvals from various government departments. The company is exposed to the cyclicality associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets.

During 2021-22, the sector is expected to make a healthy recovery during the latter half of the year with new launches expected to rise. Companies with higher financial flexibility and strong reputation, lower leverage, stronger liquidity, having cash strap mechanism, i.e., repayments linked to sales or belonging to larger business groups are better placed now than ever. The pandemic has resulted in many individuals preferring larger homes due to work-from-home or hybrid culture of working necessitating more space requirement. However, the impact of third wave of pandemic on real estate sector remains to be seen.

Project Execution Risk

PBPL is currently executing seven projects with total salable area of 116.03 lsf. All the necessary approvals for the said projects have already been acquired. Since, the company is successfully executing the projects and the past experience of the promoters of delivery of projects mitigates risks of project execution to some extent.

Support to Group Company – Valuent Infradevelopers Private Limited (VIPL)

PBPL has extend explicit support to one of its group entity Valuent Infradevelopers Private Limited by being a co borrower to the debt of Rs.81 Cr availed for the development of the project Panchsheel Pratishtha. The project is completed. This creates additional liability on PBPL in case VIPL is not able to service its debt obligation.

High dependence on customer advances for project execution and debt repayment.

PBPL has proposed to fund the overall project cost of Rs. 3612 Cr through Promoter funds of Rs.218 Cr, debt of Rs.399 Cr and remaining through customer advances of Rs.2996 Cr [0.07:0.11:0.82 (Equity: debt: customer advances)].

Liquidity: Stretched

The liquidity position of the company remains stretched due to high repayments against collections from its customers. The cash and bank balance stood Rs.6.54 crores as on March 31, 2021.

Analytical Approach: Standalone

Applicable Criteria

Policy on default recognition
Policy On Curing Period
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating methodology for Real estate sector

About the Company

Panchsheel Buildtech Private Limited (PBPL), incorporated in December 2006 and is the flagship company of Panchsheel group. The group is engaged in the residential and commercial real estate development in the Delhi NCR region, majorly catering to Noida and Ghaziabad regions. The group promoted by Mr. Rahul Kumar Singhwal, Mr. Anuj Kumar and family members have successfully delivered projects of approximately 38 lsf in Ghaziabad, Indirapuram and Sahibabad area (Delhi NCR Region) and have an extensive experience of over two decades in the real estate industry.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	303.62	144.38	111.25
PBILDT	52.92	57.64	2.71
PAT	2.01	0.89	0.73
Overall gearing (times)	3.54	3.08	3.03
Interest coverage (times)	0.97	1.05	4.30

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	November 2023	16.47	CARE B; Stable
Debentures-Non Convertible Debentures	INE991V07015	January 22, 2018	15	Jan 15, 2023	40.33	CARE B; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	16.47	CARE B; Stable	-	1)CARE D (18-Feb-21)	1)CARE D (24-Feb-20)	1)CARE BB; Stable (22-Jan-19)
2	Debentures-Non Convertible Debentures	LT	40.33	CARE B; Stable	-	1)CARE D (18-Feb-21)	1)CARE D (24-Feb-20)	1)CARE BB; Stable (22-Jan-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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