

**Rating Rationale**

**PASARI MULTIPROJECTS PVT LTD**

**Brickwork Ratings removes from Issuer not Cooperating category and withdraws the existing rating for the long term bank loan facilities of Pasari Multiprojects Pvt Ltd (PMPL or the Company), and assigns ratings for their proposed long term bank loan facilities.**

**Particulars:**

Facility@	Amount (₹ Crs)		Tenure	Ratings#	
	Previous	Present		Previous (Jan, 2020)	Present
<b>Fund based: Long Term Loan</b>	<b>66.50</b>	<b>0.00</b>	<b>Long Term</b>	<b>BWR D, Downgrade, ISSUER NOT COOPERATING*</b>	<b>Removed from “Issuer Not Cooperating” and Withdrawn^</b>
<b>Proposed Long term Loan</b>	<b>0.00</b>	<b>30.00</b>	<b>Long Term</b>	<b>--</b>	<b>BWR B+/Stable, Assigned</b>
<b>Total</b>	<b>66.50</b>	<b>30.00</b>	<b>(INR Thirty Crores Only)</b>		

#Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

@Complete details of Bank facilities are provided in Annexure-I

\*Issuer did not cooperate, based on best available information

^On account of repayment in full.

**RATING ACTION/OUTLOOK**

BWR has essentially relied upon the Audited financials of PMPL for FY19, Provisional financials for FY20 and projections for FY21 & FY22, other information as available in the public domain, as well as information / clarifications provided by the company, to arrive at the present ratings.

**Based on an annual review, BWR has removed from the Issuer Not Cooperating category, and simultaneously withdrawn the rating for the long term bank loan facilities of Rs.66.50 Crs of PMPL on account of repayment of the loans in full, and has assigned a rating of BWR B+/Stable for their fresh proposed long term bank loan facilities of Rs.30.00 crs.**

The outlook has been considered to be ‘Stable’ as BWR believes that the business risk profile of Pasari Multiprojects Pvt Ltd will be maintained over the medium term, indicating that there is a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



The rating assignment factors in the full repayment by the company of the entire long term bank loan facility, as certified by the No Due Certificate dated 2 December 2019, received from the Stressed Asset Management Branch of the concerned banker. The rating also reflects the promoters' extensive experience in the real estate industry for the last three and a half decades. The rating additionally takes comfort from the reputed customer base of the company, and their long term lease agreements with clients. The rating further considers the strategic locational advantage for both its commercial and hotel projects.

The rating, however, factors in the current subdued outlook of the real estate and hospitality sectors on account of the ongoing pandemic. The rating is also constrained by the overall cyclicity associated with the real estate industry. It further takes into account the risk of cost and time overrun for the current phase B project, and despite their long experience in real estate business, their relatively low involvement, so far, in development of commercial projects.

Going forward, the ability of the company to improve its revenue from its leased out premises, and timely completion of the project, would be the key rating sensitivities and monitorables.

## **KEY RATING DRIVERS**

### **Credit Strengths:**

**Repayment of the entire Long term debt of Bank :** The company has repaid in full the entire long term bank loan facility of Rs.66.50 Crs, as certified by the No Due Certificate dated 2 December 2019, received from the Stressed Asset Management Branch of the concerned banker. At present, the company does not have any long term loan or short term loan from banks or financial institutions.

Currently the company is in the process of applying for a Bank Loan of Rs.30 Crs to complete Phase B of Bio Wonder Project which includes commercial space and a proposed hotel.

**Long experience of the promoters:** Mr. Ashok Kumar Pasari and Mr. Akshay Pasari are the current promoter Directors of the company. Mr. Ashok Pasari has more than 45 years and Mr. Akshay Pasari has more than 15 years of experience in developing residential or commercial projects. The Pasari Group has been developing residential / commercial projects in and around Kolkata from 1975, and has completed and sold a total of 17,25,000 sq ft area till date.

**Reputed customer base and long term contracts:** The rating reflects revenue stability of the company stemming from the long term lease agreements with strong counterparties such as Jaquar & Company Pvt Ltd, Acme Credit Pvt Ltd, VSL Ventures Pvt Ltd, etc. The company currently has lease agreements with 26 tenants for its commercial spaces. During FY20 Provisional, the company booked Total Operating Income of Rs.45.72 Crs.

**Locational advantage of the project:** The project is located in Anandapur, just off the EM Bypass, near Ruby Hospital in Kolkata, which is a premier location easily communicable with other parts of northern and southern Kolkata, and close to reputed hospitals. This is an advantage not only for commercial tenants, but also for prospective customers of the proposed Boutique



Hotel which is likely to attract hospital tourists from various locations. In addition, the Government of West Bengal is projecting Anandapur, Ruby area as the Secondary Business District (SBD) or the future Central Business District (CBD) of Kolkata.

**Comfortable financial profile during FY20:** The financial profile of the company stood comfortable and improved with higher sales from leased out tenants. The total operating income of the company increased to Rs.45.72 Crs as per provisional financials for FY20 against Rs.14.31 Crs in FY19. The company also booked operating profit for the first time and booked EBITDA Margin of 25.93% during FY20 Provisional against negative 3.86% in FY19.

The debt-protection metrics of the company have also improved as reflected from Debt-Equity ratio of 1.83 times during FY20 Provisional from 5.71times in FY19 and Total Outside Liability to Tangible Net Worth has also improved to 1.86 times during FY20 Provisional, from 6 times in FY19. Improvement was on account of repayment of Rs.35.25 Crs of long term loan from bank (Outstanding as on 31st March 2019, out of the total sanctioned long term loan of Rs.66.50 Crs). As per FY20 Provisional financials, total debt of the company stands at Rs.56.15 Crs which reduced from Rs.95.24 Crs in FY19. Total debt outstanding as on FY20 Provisional financials are unsecured debts from related parties.

#### **Credit Weaknesses:**

**Current subdued outlook of the real estate and hospitality sectors:** The current ongoing pandemic has impacted the demand in both the real estate and hospitality sectors. The drop in sales throughout the industry was exacerbated by global lockdown and travel restrictions on top of the effects of a general downturn in the economy. Now with the impact of the pandemic, the major and bigger companies have adopted the “work from home” mode, and the need to occupy a property or establish an office in a new area may take time. This will have an impact on the demand for commercial property.

The risk for the same is mitigated by the fact that the company is mainly targeting small business owners, professionals etc for Phase B of ‘Bio Wonder’ project, where the office sizes will be in the range of 500 square feet to 1000 square feet, and thus expected to provide better marketability. Additional advantages like hygiene, social distancing norms, own car parking space etc. are also likely to attract tenants. Further, the business risk of the hotel segment is likely to be mitigated by the expected demand from hospital tourists coming from the many reputed hospitals located nearby. In addition, the hotel project is expected to commence its operations from March 2023, by which time the effect of pandemic is likely to get over.

**Overall cyclicity associated with the real estate industry:** The capital intensive real estate industry is highly cyclical in nature. The sector had been badly impacted on numerous occasions in the past and generally takes time to recover, as the demand in the real estate segment is dependent on human sentiments. Currently, there are apprehensions that the downturn may be more prolonged than anticipated..

**Risk of cost and time overrun:** The company has currently taken up construction of the Phase B of the Bio Wonder Project. The cost of the project is around Rs.97.99 Crs and the same is



expected to be completed by September 2022. The project is expected to be funded from a proposed long term loan of Rs.30.00 Crs and the balance via sales realisations / unsecured loans from promoters. Hence, any delay in disbursement of the loan or slowdown in sales realisations may affect the progress of the project. Given the current situation, the risk of cost and time overruns is moderately high.

**Relatively lower involvement in development of commercial projects:** Although the promoters have substantial experience in real estate business, the group till date has developed only 5 commercial projects out of which only 2 are full fledged commercial projects. However rental / lease tie-ups with reputed clients for the first phase of the Bio Wonder project, has mitigated this risk to some extent.

### **ANALYTICAL APPROACH**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

**Positive:** An increase in revenue from leased out premises would lead to a positive rating action.

**Negative:** Fall in occupancy level and decline in average rental rates per sq feet resulting in sustained deterioration in the debt service coverage ratio below 1.2x , delay in execution of the project, further deterioration of liquidity, will be negative for the ratings.

### **LIQUIDITY INDICATORS: Stretched**

Liquidity position of the company stands stretched as reflected by the free cash and bank balance of Rs.1.38 Crs available during the year end in March 2020 (FY19: Rs.0.44 Crs) against the total unsecured debt of Rs.56.15 Crs in FY20 (FY19: Rs.95.24 Crs). The company plans to repay its unsecured loan of Rs.2.00 Crs in FY21 and Rs.5.00 Crs in FY22. The project cost for Phase B of the Bio Wonder Project is around Rs.97.99 Crs, which is expected to be funded by sales realisation / unsecured loans and the proposed term loan from banks. The proposed term loan is not tied up with any lender till date, so any delay may affect the progress of the project.

The operational cash inflow of the company is dependent on customer advances and the realisation of sales is done only on the completion of the project, hence liquidity generally remains stretched during the construction period, and eases as the project nears completion.

The liquidity is likely to ease after leasing out readily available 65,000 square feet of office space for which the company has already availed a certificate of completion.

### **ABOUT THE COMPANY**

Pasari Multi Projects Pvt Ltd (PMPL) was incorporated in 1993. It is a Special Purpose Vehicle Project of Pasari Group to undertake construction of their 'Bio Wonder' Project .

The company obtained a lease hold land for 99 years from Kolkata Municipal Development



Authority, with a total land area of 1 lakh square feet. The location of the land is in Anandapur, Eastern Metropolitan Bypass, Near Ruby Hospital, Kolkata.

Mr. Ashok Kumar Pasari and Mr. Akshay Pasari are the Directors of the company.

#### COMPANY FINANCIAL PERFORMANCE

Particulars	Units	FY19A	FY20 Prov
Total Operating Income	Rs in Crs	14.31	45.72
EBITDA	Rs in Crs	-0.55	11.85
PAT	Rs in Crs	0.46	13.99
Tangible Net worth	Rs in Crs	16.69	30.68
Total Debt/TNW	Times	5.71	1.83
Current Ratio	Times	13.74	13.57
ISCR	Times	-597.80	1429.18

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: Nil**

**RATING HISTORY FOR LAST THREE YEARS (including withdrawn and suspended ratings)**

S . N o	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilities /Commercial Paper etc.)	Current Rating 18 September 2020			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable												
		Type (Long Term/Short Term)	Amount Outstanding (Rs. Crores)	Rating	Date(s) & Rating(S) assigned in 2020	Date(s) & Rating(s) assigned in 2019	Date(s) & Rating(s) assigned in 2018	Dates(s) & Rating(s) assigned in 2017									
1	Bank Loan Facility	Fund Based-Long Term	66.50	Withdrawn, ^	<table border="1"> <tr> <td colspan="3">20 January 2020</td> </tr> <tr> <td>FB-LT*</td> <td>66.50</td> <td>BWR D, Down grade, ISSUER NOT COOPERATING *</td> </tr> <tr> <td>Total</td> <td>66.50</td> <td></td> </tr> </table>	20 January 2020			FB-LT*	66.50	BWR D, Down grade, ISSUER NOT COOPERATING *	Total	66.50		---	-----	-----
20 January 2020																	
FB-LT*	66.50	BWR D, Down grade, ISSUER NOT COOPERATING *															
Total	66.50																
2	Bank Loan Facility	Fund Based-Proposed Long term loan	30.00	BWR B+/Stable, Assigned													
	<b>Total</b>		30.00														

**Note:** The initial rating was done on 3 August 2015, and the Rating assigned was BWR C.

^ On account of full repayment

\*FB- Fund Based-Long Term

#Issuer did not cooperate, based on best available information

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

**For any other criteria obtain hyperlinks from website**

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**ANNEXURE 1-  
Pasari Multiprojects Pvt Ltd  
Details of Bank Loan facilities / Proposed Bank Loan Facilities Rated by BWR**

Bank Facilities	Type	Tenure	Amount Rated on 20.01.2020 (Rs. in Crs)	Present Amount to be Rated (Rs. in crores)
Long term loan*			66.50	0.00
Proposed Term Loan	Fund Based	Long- Term	0.00	30.00
<b>Total Fund Based Limits (A)</b>			<b>66.50</b>	<b>30.00</b>
<b>Total Amount to be rated (FB) in words</b>			<b>Rupees Thirty Crores Only.</b>	

\*Long term loan was from SBI, which got fully repaid and hence withdrawn on receipt of No Due Certificate from their Stressed Asset Management Branch-II, Kolkata.



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