

January 17, 2017

## SSBM Realty and Hospitality Private Limited

Instruments*	Amount rated (Rs. crore)	Rating Action
Term Loans	14.90	[ICRA]BB- (Stable) / reaffirmed
Long-term – Unallocated	0.10	[ICRA]BB- (Stable) / reaffirmed

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has reaffirmed the long term rating outstanding on the Rs.14.90 crore term loan facilities and the Rs.0.10 crore proposed facilities of SSBM Realty and Hospitality Private Limited (“SSBM” / “the Company”)<sup>1</sup> at [ICRA]BB- (pronounced ICRA double B minus). The outlook on the long-term rating is stable.

### Rationale

The rating remains supported by the promoter’s experience in the field of construction and facilities management in the Gulf Cooperation countries for over three decades, favourable location of the hostel facility in Mahindra World City (MWC) and the completion of the hostel facility without time and cost-over runs, which has aided in sustaining the contract with Mahindra and Mahindra (M&M). The said facility was completed at a total cost of Rs. 27.7 crore over a span of two years and two months. The MoU with Mahindra and Mahindra (M & M) for allocation of 125 rooms and contracts with other private companies in and around MWC for 30 rooms ensures an assured occupancy of 69% and assures revenue visibility. Further the right of first refusal given to SSBM mitigates concerns on competition within the area until the entity stabilizes. The ratings also consider the stretched financial profile in the initial years of operation considering the modest occupancy levels expected in the remaining rooms, its small scale of operations with a limited inventory of 225 rooms and the fact that the occupancies of the remaining 70 rooms remain uncertain in the absence of any contracts. The strict rent escalation costs stipulated by the MoU, restricts revenue growth for the rooms rented to MRV. Early ramp-up of operations by improving occupancies in the remaining rooms would be critical for achieving higher scalability and maintenance of quality standards would be critical to maintain the MoU with MRV going forward.

### Key rating drivers

#### Credit Strengths

- Extensive experience of the promoter in the field of Construction and facility management in GCC.
- Completion of project within the stipulated time lends credibility and maintains the contract with M&M intact.
- MoU with M&M to ensure an assured stream of revenue for the hostel.
- Healthy occupancy level of 60% in the first month of operations

#### Credit Weaknesses:

- Small scale of operations with single property and inventory of 225 rooms
- High customer concentration with M&M and strict rent appreciation contracts restricts revenue growth.
- As it was incorporated only in January 2014, the Company has no track record of operations

#### Description of key rating drivers highlighted above:

SSBM was established by Mr. Syed Majeed in January 2014, to construct a hostel facility in MWC in Chennai. The promoter has three decades of experience in (mechanical, engineering and plumbing) services in GCC (Gulf Cooperation Council countries) where he has spear-headed many construction projects. The construction of the hostel facility commenced in April 2015 and became operational in September 2016 as per the initial plan, without any cost-overruns. The company has established a Memorandum of Understanding with M & M to rent 125 rooms to employees of MRV. According to the agreement, irrespective of the occupancies, the company will receive the rent for the 125 rooms leased. This provides stability and visibility to revenues until the property stabilizes but also exposes the company to customer concentration risks, considering that more than 50% of the rooms is rented to a single customer. The rent escalation terms in the contract limit revenue growth for the initial years with respect to rooms rented to M & M. Further, the company has established contracts for 30 rooms with companies like Renault Nissan, Mastek limited, Gamesa Renewable Private

<sup>1</sup>For complete rating scale and definitions, refer ICRA’s website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications



Limited and Msc Software Private Limited translating to a total occupancy of ~69%. The occupancies for the remaining rooms is uncertain. The entity is also exposed to geographical concentration risks with entire room inventory of 225 rooms concentrated in a single location and "Downtown" being the first venture of the company, there is no track record of operations.

**Analytical approach:**

**Links to applicable Criteria**

Corporate Credit Rating - A Note on Methodology

**About the company:**

SSBM Realty and Hospitality Private Limited ("SSBM" / "the Company"), promoted by Mr. Syed Majeed, was incorporated on January 01, 2014 to construct a hostel facility with 225 rooms in Mahindra World City (MWC), a special economic zone in Tamil Nadu. The facility was launched under the name "Downtown" in September 2016.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table: Rating History**

S. No.	Name of Instrument	Current Rating			Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
		Type	Rated amount (Rs. Crores)	Month - year & rating			
				Dec 2016	Oct 2015		
1	Term Loans	Long term	14.90	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	Nil	Nil
2	Unallocated		0.10	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	Nil	Nil

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**
**Details of Instruments**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Term Loan 1	Aug 2015	-	March 2026	9.60	[ICRA]BB-(Stable)
Term Loan 2	Aug 2015	-	March 2022	5.30	[ICRA]BB-(Stable)
Unallocated	-	-	-	0.10	[ICRA]BB-(Stable)

Source: SSBM

**Name and Contact Details of the Rating Analyst(s):**
**Analyst Contacts**

**Subrata Ray**  
+91 22 2433 1086  
subrata@icraindia.com

**Srikumar K**  
+91 44 4596 4318  
[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Gayathri R**  
+91 44 4596 4311  
gayathri.ramesh@icraindia.com

**Name and Contact Details of Relationship Contacts:**

**Jayanta Chatterjee**  
+91 80 4332 6401  
jayantac@icraindia.com

**About ICRA Limited:**

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit [www.icra.in](http://www.icra.in)

© Copyright, 2017, ICRA Limited. All Rights Reserved  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500