

Mahima Real Estate Private Limited

May 18, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based	70.0	70.0	[ICRA]BBB+ (Stable); Reaffirmed
Total	70.0	70.0	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long -term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the Rs. 70.0 crore¹ bank facilities of Mahima Real Estate Private Limited (MREPL or the company)². The outlook on the long-term rating is 'Stable'.

Rationale

The reaffirmation of the rating draws strength from the operating profile of MREPL marked by established track record of the company and Mahima's brand strength in Jaipur real estate market. Further, the rating draws support from the diversified portfolio of the company which includes finished and under-development inventory as well as product catering to different segments i.e premium to affordable segment, which helps Mahima address wider spectrum of the customer base. The rating continues to take support from MREPL's professional management and portfolio of operational commercial projects which provide steady cash inflows in the form of lease rental income apart from lending flexibility to the company to an extent. Further, the rating factors in the improving collection efficiency of its under-development portfolio. Additionally, ICRA notes that the company has plans to launch new projects, mainly being plotted projects, which is expected to support the cash flows in the near to medium given the ability of such projects to generate cash flows faster than a group housing project.

These strengths are partly offset by modest operating profitability, elevated level of borrowings and dependence on fresh bookings to maintain its operational performance. In addition, ICRA's rating also remains constrained on account of exposure to marketing risk. The company achieved modest net sales since the last rating exercise owing to high level of cancellations witnessed because of slow down in real estate market. The risk is further accentuated given the large upcoming repayments as well as a part of the project cost is proposed to be funded through customer advances.

In addition, the rating continues to remain constrained by the project related risks associated with real estate sector including execution risks given the current development portfolio is at early intermediate stage of development and slowdown in demand in its target market, which due to presence of multiple developers has resulted in high competitive intensity.

Outlook: Stable

ICRA believes MREPL to maintain its credit risk profile in the near term owing to the flexibility it enjoys because of its finished inventory and operational commercial real estate portfolio. The outlook may be revised to 'Positive' in case of

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

generation of higher-than-expected operational cash flows resulting in de-leveraging of the balance. The outlook may be revised to 'Negative' should there be slower-than-expected sales leading to deterioration of the operational cash flows thereby necessitating reliance on incremental debt.

Key rating drivers

Credit strengths

Established track record of the promoters in Jaipur (Rajasthan) real estate - MREPL is engaged in real estate development in Jaipur and is promoted by Shri Dharendra Madan and his family. The promoters have about two decades of experience in the real estate business in Jaipur. Owing to its established track record of development and delivery, Mahima enjoys a strong brand strength.

Diversified portfolio of the company - The company's current offering includes finished and under-development inventory as well as product catering to different segment i.e premium to affordable segment which helps Mahima address wider spectrum of the market.

Stable source of lease rental income from the developed commercial projects - In the commercial projects the company has retained part of the area for leasing out. The leased commercial area provides a steady source of income for the company as the occupancy in its commercial space has been healthy in the past. In FY2018, MREPL had reported ~Rs. 6.8 crore of lease rental income from these properties.

Improvement in collection efficiency of its under-development portfolio – MREPL's collections efficiency improved significantly owing to notable improvement witnessed in its projects – Florenza and Shubh Nilay.

Credit challenges

Modest profitability coupled with elevated debt levels and high repayment obligation - The company's consolidated operating profitably remained muted at 10.64% in FY2017 and is expected to remain modest in FY2018. Further, the consolidated debt remains at elevated levels. The external debt as on March 31, 2018 was Rs. 256 crore³. Further, the company has repayment of Rs. 77 crore and Rs. 80 crore in FY2019 and FY2020 respectively which will necessitate that adequate sales velocity and customer collections are maintained.

Projects risks associated with the on-going and planned projects –Overall, the company has spent around 37% of the budgeted cost towards the project development. The company has around Rs. 276 crore of pending total project cost that is yet to be spent. Further, the company has plans to launch new projects in the near term which along with its on-going projects exposes the company to project related risks.

Exposure to marketing risk - The company is currently executing six residential apartment projects encompassing ~1.9 million sft of total saleable area. As of December 2017, the company has achieved booking levels of 0.67 million sft, translating to a booking position of ~36% in these projects which exposes the company to marketing risk. The company achieved modest net sales since the last rating exercise owing to high level of cancellations witnessed because of slow down in real estate market.

High competitive intensity marked by presence of multiple real estate developers in city of Jaipur - The company faces stiff competition due to presence of multiple developers in the backdrop of slowdown in demand in its target market.

³ including Rs. 24.57 crore of overdraft against FDR

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Real Estate Entities](#)

About the company

Incorporated in 1996, Mahima Real Estate Pvt Ltd (MREPL) is promoted by Shri Dharendra Madan and is engaged in real estate development in Jaipur (Rajasthan). MREPL has completed multiple commercial and residential real estate projects in Jaipur, prominent ones of which include Crystal Court, Crystal Mall, Crystal Palm, Trinity, Iris-1 and Iris-II, Fountain Square, Elite, Desire, Panorama, Nirvana, City Ville, Kopal, Elanza and Panache. MREPL is currently executing six residential real estate projects –Bellevista, Nirvana-2, Uday, Florenza, Shubh Nilay Ph-1, and Sansaar Ph-1. All the projects are located in Jaipur only.

In FY2017, the company reported a consolidated net profit of Rs. 7.67 crore on a consolidated operating income of Rs. 119.8 crore, as compared to a net profit of Rs. 9.6 crore on an operating income of Rs. 140.2 crore in the previous year.

Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	140.2	119.8
PAT (Rs. crore)	9.6	7.7
OPBDIT/ OI (%)	11.7%	10.6%
RoCE (%)		5.6%
Total Debt/ TNW (times)	1.35	2.11
Total Debt/ OPBDIT (times)	10.35	21.08
Interest coverage (times)	1.34	1.30

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				May 2018	Jan 2017	Dec 2015	Jan 2015
1	Term Loan	70.0	63.25	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)

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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	7-Jun-2017	-	FY2021	23.50	[ICRA]BBB+ (Stable)
NA	Term Loan 2	17-Jan-2015	-	FY2020	18.00	[ICRA]BBB+ (Stable)
NA	Term Loan 3	23-Sep-2016	-	FY2020	15.00	[ICRA]BBB+ (Stable)
NA	Term Loan 4	29-Jan-2016	-	FY2019	2.00	[ICRA]BBB+ (Stable)
NA	Term Loan 5	16-Oct-2014	-	FY2020	4.75	[ICRA]BBB+ (Stable)
NA	Unallocated – Term Loan				6.75	[ICRA]BBB+ (Stable)

Source: MREPL

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