

October 09, 2019

Samhrutha Habitat Infrastructure Pvt. Ltd.: Rating assigned at [ICRA]BB- with Stable outlook

Summary of rated instruments

Instrument	Current Rated Amount (Rs. Crore)	Rating Action
Long term- Term Loans	13.0	[ICRA]BB- (Stable); assigned
Long Term- Unallocated	7.0	[ICRA]BB- (Stable); assigned
Total	20.0	

Rationale

The assigned rating considers the extensive experience of the promoters of Samhrutha Habitat Infrastructure Pvt. Ltd. (SHIPL) in the real-estate industry. The rating also considers the favourable location of Urban Oasis Mall which is located on Gokul Road in Hubli having good connectivity with commercial establishments such as Hotels, IT Parks, hospitals, educational institutions, etc leading to healthy footfalls. The rating also factors the healthy occupancy level of the mall, its strong tenant profile with presence of long-term lease agreements with most of them resulting in stable rental revenues. ICRA also takes note of the low execution risk for its upcoming hotel within the same premises of the mall which is expected to be completed by FY2020.

The rating, however, is constrained by the company's small scale of operations with only a single mall in operation. and the significant asset concentration risk arising from entire revenues derived from this mall. The rating also factors in the moderately high tenant concentration risk with top-five tenants occupying 60% of the leasable area. Besides, the rating also factors the high market risk for its upcoming hotel with no agreements tied-up with hotel operators yet. ICRA also notes the expected debt-funded capital expenditure for completing the remaining portion of the hotel thereby increasing the debt repayment obligations. Therefore, timely leasing of the hotel remains critical to service the expected increase in repayment obligations.

The Stable outlook on the [ICRA]BB- rating reflects ICRA's opinion that SHIPL will continue to benefit from the extensive experience of the promoters in the real estate sector.

Key rating drivers

Credit strengths

Extensive experience of the promoters in the real estate sector– The promoters of the company have extensive experience in the real estate sector spanning 10 years.

Favourable location of Urban Oasis Mall– The mall is located on Gokul Road in Hubli which is centrally located with many commercial establishments such as Hotels, IT parks, hospitals, educational institutions, etc. leading to healthy footfalls. Moreover, the mall is located only 4 kms from the airport and less than 1 km from the new bus stand.

Reputed tenant profile and long-term lease tenure reduces vacancy risks – The lease term for most of the tenants is fairly long with the average tenure of 9 years or more. For some of the anchor tenants, the rentals charged to retailers is the higher of a monthly minimum guaranteed (MMG) rate or a pre-determined share of the retailer’s revenues. Such an agreement ensures a minimum monthly revenue stream to SHIPL, thereby restricting revenue volatility. Also, its anchor tenants include brands like Reliance Smart, Pantaloons and Reliance Trends which are reputed in the retail space.

Credit challenges

Small scale of operations and high asset concentration risk – The company has completed only a single project, Urban Oasis Mall, thereby restricting its operational and financial flexibility. Moreover, the entire revenues are dependent on a single property exposing it to high asset concentration risk.

Moderately-high tenant concentration risk – The top-5 tenants cover 60% of the leasable area resulting in moderate customer concentration risks. This exposes SHIPL to high market risks in case any of these tenants vacate their area.

Debt funded capital expenditure for the hotel; high market risk with no agreement tied up with hotel operators – The company is expected to avail additional debt for completing its upcoming hotel within the same premises of Urban Oasis Mall which will increase the debt repayment obligations going forward. Therefore, timely lease of the hotel of the mall remains critical for timely servicing of debt repayment obligations. Moreover, the company has not tied up any agreement with hotel operators exposing it to high market risks.

Liquidity Position: Stretched

In July 2017, SHIPL availed a term loan of Rs. 8.65 crore from KAJIS Bank against the lease rentals of the mall property. The amount was used to refinance the previous term loan facility (outstanding was Rs. 8.17 crore as on March 31, 2017) from KAJIS Bank. Moreover, the tenor of the loan was increased to 12 years from 7 years previously thereby reducing the repayment burden per annum. The payments from the tenants are generally timely and there is sufficient cushion between rent due date and EMI payment. However, the company is expected to take additional debt for constructing the hotel thereby increasing the repayment burden going forward. Therefore, the liquidity position of the company is **stretched** despite cash balances of Rs 1.6 crore as on March 31, 2019.

Rating Sensitivities

Positive Triggers- ICRA could upgrade SHIPL’s rating if it is able to lease out the hotel in a timely manner and the surplus generated from the hotel improves the cash flow position leading to an improved DSCR of more than 1.4 times on a sustained basis.

Negative Triggers- Negative pressure on SHIPL could arise if it is unable to lease out the hotel in a timely manner and if any reduction in income or profitability from the mall leads to DSCR remaining less than 1.1 times.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for debt backed by Lease Rentals
Parent/Group Support	NA
Consolidation / Standalone	The ratings are based on the standalone financials of the issuer.

About the company:

Samhrutha Habitat Infrastructure Private Limited (SHIPL) was incorporated in 2006 and has developed one commercial project namely Urban Oasis Mall with a total area of 2.14 lakh sq ft, of which leasable area is 0.76 lakh sq ft (includes rental space, food court and amusement park), and sold area of around 1,38,000 sq ft (including cineplex). The parking area which is a part of leasable or sold area to be mentioned is about 98,019 sq ft and the hotel area is supposed to be 55,000 sq ft. The construction of the mall started in 2007 and was completed in April 2012. At present, the occupancy of the mall is more than 90% and is the one of the largest malls operating in Hubli. The mall also consists of an amusement park and cinema complex. The mall is located on Gokul road which is centrally located and is in close proximity to educational institutions, hotels, IT parks, hospitals, etc. Currently, the company is also developing a hotel within the same premises and will be located on the 2nd to 6th floor inside the mall.

In FY2019 (based on provisional figures), the company reported a net profit of Rs. 0.9 crore on an operating income of Rs. 6.2 crore compared to a net loss of Rs. 0.1-crore on an operating income of Rs. 5.5 crore in the previous year.

Key Financial Indicators

	FY2018	FY2019P
Operating Income (Rs. crore)	5.5	6.2
PAT (Rs. crore)	-0.1	0.9
OPBDIT/ OI (%)	35.2%	37.9%
RoCE (%)	3.8%	6.6%
Total Outside Liabilities/Tangible Net Worth (times)	0.7	0.6
Total Debt/ OPBDIT (times)	4.4	3.5
Interest coverage (times)	2.0	2.5
DSCR	0.4	1.7

P: Provisional;

Source: Samhrutha Habitat Infrastructure Pvt. Ltd. and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2020)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 2019 (Rs Crore)	Date & Rating 09-October 2019	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1	Term Loan	13.0	8.17	[ICRA]BB-(Stable)	-	-	-
2	Unallocated	7.0	-	[ICRA]BB-(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	June 2017	-	May 2029	13.00	[ICRA]BB-(Stable)
NA	Unallocated	-	-	-	7.00	[ICRA]BB-(Stable)

Source: SHIPL

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