

June 02, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	10.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.10.00crore bank facility of Mahankal Malls Private Limited (MMPL). The outlook is '**Stable**'.The rating derives comfort from the extensive experience of promoters, advanced stage of project execution and high customer interest. However, the rating is constrained by the company's exposure to the inherent cyclical and intense competition in the real estate industry apart from the small ticket size of the project -Rs 25.00 crore.

MMPL, is an Indore based real estate company incorporated in 2011 mainly to develop a residential-cum-commercial project named 'C-21 RES-COMM' at Ujjain, Madhya Pradesh. The project aims at offering state-of-the-art amenities with an in-built shopping area for residents at affordable prices. The promoters Mr. Keshav Kumar Nachani and Mr. Kamal Kumar Nachani, armed with a decade's experience in the industry, have executed several residential and commercial projects of upto Rs. 100.00 crore in Ujjain, Bhopal and Indore.

About 90 per cent of estimated construction cost has been incurred and 21 per cent of the units have already been sold as on March 15, 2015. The company has received bookings for further 107 units and the remaining units are expected to be sold by the year-end. The rating also takes into account the customer advance received which has funded a significant portion of the construction cost (46.66 percent of the construction cost incurred as on March 15, 2015). However, the ongoing economic downturn that the sector faces alongwith the subdued demand, curtailed funding options, rising costs and restricted supply due to delays in approvals may result in stress on cash flows.

Key sensitivity factors

- Rate of incremental booking and level of customer advances received
- Completion of project within the scheduled timelines and budgeted cost

Outlook: Stable

SMERA believes that MMPL will be able to maintain a stable business risk profile in the medium term.The outlook may be revised to 'Positive' in case the company receives higher than expected customer advances. However, the outlook may be revised to 'Negative' in case of inordinate project delays or lower than expected customer advances.

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About the Company

Mahankal Malls Private Limited (MMPL), incorporated in 2011 is an Indore-based company promoted by Mr. Keshav Kumar Nachani and his son Mr. Kamal Kumar Nachani. The company is developing a residential-cum-commercial project named "C-21 RES-COMM" with a total saleable area of around 1.83 lakh square feet at Ujjain, Madhya Pradesh to construct 234 units consisting of 138 commercial shops and 96 residential flats.

MMPL reported nil profit after tax (PAT) on operating income of Rs. 0.87 crore for FY2013-14. The company's net worth stood at Rs. 14.26 crore as on March 31, 2014, as against Rs. 8.09 crore a year earlier. The company registered operating income of Rs. 2.00 crore (provisional) in FY2014-15.

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