

Press Release

Bhagyalaxmi

13 October, 2017

Rating Downgraded



Total Bank Facilities Rated	Rs 8.35 crore
Long Term Rating	SMERA D (Downgraded)

** Refer Annexure for details*

SMERA has downgraded the long term rating on the above bank facilities of Bhagyalaxmi to '**SMERA D' (read as SMERA D)** from 'SMERA BB-' (read as SMERA Double B minus).

Bhagyalaxmi is engaged in the development of real estate at Surat. The first venture of the firm, 'Bhagyalaxmi Residency' project consists of six low rise residential buildings comprising 394 flats with a built-up area of 1,59,827.79 sq. ft. and saleable area of 2,31,000 sq. ft. on land admeasuring 6824.19 sq. mtrs.

List of key rating drivers and their detailed description:

Strengths

Experienced management: The promoter, Mr. Trushar Patel has experience of around a decade in the development of residential property.

Weaknesses

Delays in term loan repayment: There have been instances of delays in the repayment of debt obligations in the past six months due to weak liquidity.

Weak financial risk profile: The firm has a weak financial risk profile marked by negative tangible networth of Rs. (0.80) crore as on 31 March, 2016 as against Rs. 3.29 crore as on 31 March, 2015. The total debt obligation of Rs.8.63 crore as on 31 March, 2016 majorly comprises term loan of Rs. 6.96 crore, loan from other parties. The interest coverage ratio of 1.25 times has been low in FY2015-16 as against 3.20 times in FY2014-15.

Partnership constitution: The firm is exposed to risk of capital withdrawal considering its partnership constitution. The partners withdrew capital of Rs. 4.37 crore in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the entity.

About the rated entity – key financials

For FY2015-16, Bhagyalaxmi reported Profit after Tax (PAT) of Rs. 0.28 crore on total operating income of Rs.8.76 crore compared with PAT of Rs 0.27 crore on total operating income of Rs. 9.40 crore in FY2014-15. The firm reported negative networth of Rs. (0.80) crore as on 31 March, 2016 compared to Rs.3.29 crore, a year earlier.

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23 February, 2017	Term Loan	Long Term	INR 8.35	SMERA BB - (Issuer not Co- operating)#
09 October, 2015	Term Loan	Long Term	INR 8.35	SMERA BB -/Stable (Assigned)

*# Issuer did not co-operate; Based on best available information.

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	NA	NA	NA	4.50	SMERA D (Downgraded)
Proposed Fund Based	NA	NA	NA	3.85	SMERA D (Assigned)

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ABOUT SMERA

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