



Z-Square Shopping Mall Private Limited (Z-Square)

Rating Rationale

January 07, 2016

Facility	Amount (Rs. Crore)	Rating
Term Loan	26.60	SMERA BBB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BBB**' (read as **SMERA triple B**) to the Rs.26.60 crore long-term (fund based) bank facility of Z-Square Shopping Mall Private Limited (Z-Square). The outlook is '**Stable**'. The rating draws comfort from the experienced management and healthy revenue visibility particularly due to the sizeable occupancy and favourable location of the mall. The rating further draws comfort from the reputed tenant profile and long duration of the lease period (nine years). SMERA also takes into account the maintenance of debt service reserve account (DSRA) by the company that provides cushion for timely debt servicing. The rating is however, constrained by the intense competition in the real estate sector and geographic concentration risk related to operations.

Outlook: Stable

SMERA believes Z-Square will maintain a stable business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company is able to renew its lease agreement within the stipulated time frame and generate steady cash flows from rental income. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

Rating Sensitivity Factors

- Future capex
- Renewal of lease agreement

About the Company

Z-Square was established in 2004 by Zazsons Exports Limited to set up a shopping mall in Kanpur, Uttar Pradesh. The mall with total leasable area of 456,000 square feet has been operational since May 2010.

The company reported profit after tax (PAT) of Rs.7.22 crore on operating income of Rs.46.70 crore, as compared with PAT of Rs.4.68 crore on operating income of Rs.38.71 crore in FY2013-14. The company's net worth stood at Rs.74.46 crore as on March 31, 2015, as compared with Rs.69.24 crore a year earlier.

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*Rating
Rationale*

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