

April 18, 2016

| Facility  | Amount (Rs. Crore) | Rating                     |
|-----------|--------------------|----------------------------|
| Term Loan | 9.00               | SMERA B-/Stable (Assigned) |

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) on the Rs.9.00 crore bank facility of Panchamrut Properties Private Limited (PPPL). The outlook is '**Stable**'. The rating is constrained by concentration risk due to single tenant and weak financial risk profile marked by high gearing, low tangible net worth and coverage indicators. The rating also factors in absence of debt service reserve account (DSRA) mechanism for payment of EMIs. However, the rating draws comfort from the promoter's extensive business experience and revenue visibility on account of long term lease agreement.

### Rating Sensitivity Factors

- Timely receipt of lease rentals
- Improvement in the capital structure
- Future capex and its funding mix thereof

### Outlook: Stable

SMERA believes that PPPL will continue to maintain a stable business profile over the medium term owing to its promoter's extensive business experience. The outlook may be revised to 'Positive' in case of substantial equity infusion thereby resulting in improvement in the financial risk profile especially capital structure. Conversely, the outlook may be revised to 'Negative' if PPPL undertakes significant debt funded capex resulting in deterioration of its existing financial risk profile especially liquidity.

### About the Company

Incorporated in 2002, the Gujarat-based PPPL is promoted by Mr. Patel and his family members. The company has leased its school and campus at Anand, Gujarat to Jay Jalaram Education Trust (JJET). As per the lease agreement entered into by the company, JJET will be managing the school for 10 years with a five year lock-in period.

For FY2014-15 (refers to the financial year, April 1 to March 31), PPPL reported profit after tax (PAT) of Rs.0.03 crore on total revenues of Rs.0.73 crore as compared with PAT of Rs.0.02 crore on total revenues of Rs.0.45 crore in the previous year.

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