

Press Release

Karismaa Foundations Private Limited

August 23, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 25.00 crore bank facilities of Karismaa Foundations Private Limited. The outlook is '**Stable**'.

Karismaa Foundations Private Limited (KFPL) incorporated in 2010, is a Chennai-based company promoted by Mr. Rakesh Sheth and Mr. Rajesh. The company undertakes civil construction contracts for private companies, real estate projects and also provides heavy earth equipments, cranes on contract basis etc. Further, the company is in the process of developing six residential projects under the names Cielo, Orion, Twine, Prisma, Blue Beach and Site. Sugesan Transport Private Limited (STPL), a group company provides heavy earth equipments and cranes on contract basis. Further, STPL has a fleet of 35 equipments and operates across India. The two companies are together referred to as the Karismaa group.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The group is engaged in the aforementioned line of business for over four decades. The established track record of operations has helped it maintain long standing relations with reputed clients. The promoters collectively possess more than four decades of experience in the industry.

Weaknesses

- **Delays in debt servicing**

Delays were observed in the last three months with regard to repayment of debt due to a stretched liquidity position.

- **Moderate scale of operations**

The group reported operating income of Rs. 52.57 crore in FY2015-16 compared to Rs. 61.09 crore in FY2014-15. Further, the company achieved revenue of Rs. 35.41 crore in FY2017 (Provisional). The declining revenue trend is mainly on account of fall in civil construction contracts received by KFPL. Going forward, SMERA expects growth in revenue on account of increase in heavy equipment contracts and sale of residential projects.

- **Average financial risk profile**

The financial risk profile is average marked by tangible networth of Rs.27.49 crore (Provisional) in FY2017 as against Rs.13.33 crore in FY2016. The gearing stood at 1.62 times (Provisional) as on 31 March, 2017 as against 3.68 times in the previous year. The Interest coverage ratio stood at 3.08 times (Provisional) for FY2017 as against 2.34 times in the previous year. The total liabilities to

tangible networth (TOL/TNW) stood at 1.72 times (Provisional) as on 31 March, 2017 as against 4.21 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.26 times (Provisional) in FY2017 compared to 0.17 times in the previous year.

• Working capital intensive operations

The operations are working capital intensive evident from the high gross current assets days of 650 during FY2017 (Provisional) compared to 391 in FY2016. The high gross current asset days (GCA) are on account of high inventory of 593 days and debtor days of 228 days for FY2017. Further, the cash credit limit of the group has been fully utilised during the last six months ended 30 June, 2017.

• Inherent cyclicity in the construction sector

The real estate industry in India is highly fragmented with most of the developers having a city specific or region specific presence. The risks associated with the industry are - cyclical nature of business, interest rate risk that can affect operations.

Analytical Approach

SMERA has considered the consolidated business and financial risk profiles of Sugesan Transport Private Limited and Karismaa Foundations Private Limited. The consolidation is in view of the common management and similarities in the lines of businesses. Further, Karismaa Foundations Private Limited is expected to take over the existing business of Sugesan Transport Private Limited during FY2017-18 and will be referred to as Karismaa Foundations Private Limited.

Outlook: Stable

SMERA believes that the group will continue to maintain a stable outlook in the medium term owing to the promoter's extensive industry experience and operational track record. The outlook may be revised to 'Positive' if the company reports higher growth in revenues while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower than projected growth in revenues and profit margins or deterioration in its financial risk profile on account of higher-than-expected increase in external debts requirements.

About the Rated Entity - Key Financials

For FY2016-17, the group reported profit after tax (PAT) of Rs. 0.16 crore on operating income of Rs. 35.41 crore as against net loss of Rs. 0.75 crore on operating income of Rs.52.57 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	7-Aug-2017	0.40	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	7-Aug-2017	0.40	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	7-Aug-2017	0.40	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	21-Aug-2017	0.30	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	21-Aug-2017	0.55	SMERA B- / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.45	SMERA B- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B- / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA A4

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ABOUT SMERA

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