

Press Release

Shree Hanuman Trust (SHT)

20 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 59.50 Cr.
Long Term Rating	SMERA BB/Stable (Assigned)

*Refer annexure for details

SMERA has assigned long term rating of '**SMERA BB**' (read as SMERA double B) on the above bank facilities of Shree Hanuman Trust (SHT). The outlook is '**Stable**'.

Shree Hanuman Trust (SHT) was established in 1982 by Mr. Mittal and family. SHT is engaged in the leasing of the 3rd floor of Mittal Court, (area of 22,111 sq. ft. at 244), developed by the Mittal Group at Nariman Point, Mumbai to the Income tax department, Government of India. The trust is part of the Mittal Group, engaged in real estate development since 1952.

Key rating drivers

Strengths

Strong counterparty - Agreement with the Income Tax Department, Govt. of India and property in a prime location: The trust has lease agreement with The Income Tax Department, Govt. of India. The agreement is being renewed every three years, from the last 33 years. Further, the property is located in the prime location of Mumbai i.e. Nariman Point.

Presence of escrow mechanism and DSRA: The trust has adopted the escrow mechanism for payment of the LRD loan whereby rentals are directly deposited into escrow account and utilised first for debt servicing before release of any surplus cash flows towards other funding requirements of the company.

Further the trust has also maintained a Debt Service Reserve Account (DSRA) to meet the cash flow mismatches given the monthly nature of repayment obligations, thus providing liquidity buffer in case of any shortfall or delay in receipt of rental inflows.

Weakness

Delays in renewal of rent agreement and receipt of arrears: The agreement has to be renewed every three years with an escalation in the rental rate. However, there have been delays by the counterparty in revising the rental rates and providing the arrears thus resulting in a mismatch in the rental income and the loan repayment amount.

The trust funds this shortfall in debt servicing by the interest received on the investment made in the group company. Hence increasing the dependence in the group companies for servicing of debt.

High exposure in real estate industry: The trust has invested around Rs.85.88 crore in Group Company – Sealink Construction Co. Private Limited which is around ~ 280 per cent of the networth in FY2016. This company is engaged in real estate development and has a project called Mittal Enclave under it.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SHT to arrive at the rating.

Outlook: Stable

SMERA believes that SHT will maintain a Stable outlook and continue to benefit over the medium term from the steady cash flow from lease income. The outlook may be revised to 'Positive' if the trust registers significant increase in accrual, positively impacting debt service coverage ratio (DSCR). Conversely, the outlook may be revised to 'Negative' in case of unexpected termination of lease agreement, or additional financial support to affiliates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	6.27	6.27	6.27
EBITDA	Rs. Cr.	5.92	6.05	5.94
PAT	Rs. Cr.	6.03	6.16	6.03
EBITDA Margin	(%)	94.30	96.44	94.70
PAT Margin	(%)	96.14	98.22	96.09
ROCE	(%)	13.87	15.59	14.71
Total Debt/Tangible Net Worth	Times	1.71	1.97	1.98
PBDIT/Interest	Times	1.90	1.91	2.85
Total Debt/PBDIT	Times	4.61	4.66	5.36
Gross Current Assets (Days)	Days	-	-	-

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

ICRA Ratings in its press release dated May 31, 2017 inter alia has stated the following: As part of its process and in accordance with its rating agreement with SHT, ICRA had sent repeated reminders to the company for payment of surveillance fee that became overdue and has been trying to seek information from the company so as to undertake a surveillance of the ratings; however despite multiple requests; the company's management has remained non-cooperative. ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating is now denoted as: "[ICRA] B+ (Stable) ISSUER NOT COOPERATING".

Rating History for the last three years: None

***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	59.50	SMERA BB/ Stable (Assigned)

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ABOUT SMERA

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