

Press Release

Creo Developers Private Limited

December 06, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 28.80 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB** (read as ACUITE double B) to the Rs. 28.80 crore bank facilities of Creo Developers Private Limited (CREO). The outlook is '**Stable**'.

CREO is a Mangalore based company incorporated in 2011. The company entered into an agreement with Karnataka State Road Transport Corporation (KSRTC) for design-develop-operate and transfer of a multi-storey commercial building to be constructed on 1.063 acres land belonging to KSRTC. The project is commercialised during March 2018 and given on long term lease to Cognizant Technology Solutions India Private Limited (Cognizant).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CREO to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The company is promoted by Yenepoya family who possess vast experience in diversified sector such as real estate, transportation, health care and education, among others. Their experience in the diversified industry helped them in successful completion of the project and lease agreement with Cognizant. Acuité believes that the company will benefit from the management experience over the medium term.

• Property under BOT model and long term lease

As per the agreement with KSRTC in 2011, CREO has to construct and transfer 8 bed room guest house for KSRTC by 2014. Further, it has to construct a commercial complex under design-construct-transfer agreement for a period of 30 years from the agreement date, which it can lease out on rental basis till the end of the agreement with KSRTC. As per the terms of the agreement, CREO has successfully handed over guest house in a 3000 sq.ft. to KSRTC during 2014; and completed and leased out commercial space of 97975 sqft (spread across G+3 floors) to Cognizant during January 2018. CREO entered into five-year lease agreement with Cognizant, which can be extended for five more years. The property was occupied by Cognizant, and the flow of lease rental income started in September 2018 with an initial monthly lease rental of Rs.0.48 crore, with an in-built escalation clause. CREO owes the responsibility of maintaining the property and would be transferred at the end of the agreement term in December 2043 to KSRTC; and in consideration of enjoyment of leasehold rights, CREO shall pay minimal lease rental to KSRTC till the end of the agreement. Acuité believes that strong counterparty risk and long-term lease agreement is expected to support the business risk profile of the company over the medium term.

Weaknesses

• Below-average financial risk profile

Financial risk profile of the company is below-average marked by weak gearing (debt to Equity ratio) and total outside liability to total net worth (TOL/TNW). Gearing is high and deteriorated to 4.37 times as on 31 March, 2018 as against 2.60 times as on 31 March, 2017 on account of modest net worth of Rs.6.14 crore as on 31 March, 2018 (includes quasi equity of Rs.5.78 crore) and debt-funded capex. TOL/TNW is high at 4.72 times as on 31 March, 2018 as against 3.01 times as on 31 March, 2017. CREO's

cash accruals are expected to be above Rs.2.00 crore, against repayment obligations of about Rs.1.70 crore over the medium term. CREO enjoys the financial flexibility in case of any exigency or shortfall through promoter infusion as exhibited in the past. Acuité believes that with repayment of term loans and accruals, the financial risk profile is expected to improve marginally over the medium term.

Outlook: Stable

Acuité believes that CREO will maintain a 'Stable' business risk profile over the medium term owing to its experienced management and long-term lease agreement with reputed clients. The outlook may be revised to 'Positive' in case of higher-than expected cash accruals or early repayment of its term loan leading to improvement of its capital structure. The outlook may be revised to 'Negative' in case of any significant deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	0.00	0.00	0.00
PAT	Rs. Cr.	0.01	0.19	0.02
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	0.21	1.58	0.47
Total Debt/Tangible Net Worth	Times	4.37	2.60	0.81
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	484.03	59.91	191.04
Gross Current Assets (Days)	Days	0	0	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	Not Applicable	25.00	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.80	ACUITE BB / Stable

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About Acuité Ratings & Research:

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