



Press Release
Kaman Srinivasagupta Sunil Gupta
September 26, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	55.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	71.00	-	-

Rating Rationale

Acuite has reaffirmed and assigned the long-term rating of '**Acuite BBB-**' (read as **Acuite Triple B minus**) for the Rs. 71.00 crore bank facilities of Kaman Srinivasagupta Sunil Gupta (KSS). The outlook is '**stable**'.

Rationale for reaffirmation

The rating reaffirmation takes into account the sustained business risk profile, healthy financial risk profile, and adequate liquidity position on account of adequate cash flows supported by long-term lease agreements with KSS. The rating also factors in the strategic locational advantage of the properties, which has drawn reputed tenants. However, the rating is constrained by customer concentration risk.

About the Company

Bangalore-based Kaman Srinivasagupta Sunil Gupta is a proprietorship concern established in 2000 by proprietor Mr. K. S. Sunil Gupta. The firm is engaged in the property and real estate business and is currently leasing out two of its properties located in Bangalore. Other companies held by Mr. Gupta are Kaman Holding Private Limited, which is engaged in property acquisitions; Kaman Projects Private Limited, which is engaged in the execution of new projects; and Kaman Development Private Limited, which is engaged in construction and development activities.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of KSS to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations with experienced management.

KSS is a proprietorship firm based out of Bangalore that was incorporated in the year 2000 by

Mr. Sunil Gupta, reflecting an established track record of operations for more than two decades. The promoter of the firm has had extensive experience in the real estate industry for more than 25 years. The firm is engaged in the property and real estate business and is currently leasing out two of its properties located in Bangalore to a couple of reputed clients, i.e., Akamai Technologies Private Limited and The Executive Centre. The operations of the firm are managed by the promoter along with an experienced senior management team. The extensive experience of the promoter has helped the firm get long-term lease contracts from reputed clients.

Acuité believes that the firm will continue to benefit from the promoter's extensive experience over the near and medium term.

Long-term lease agreements and strategic location advantages

The firm currently owns two properties named Augusta and Kaman Amaryllis in Bangalore. The total built-up area of the Augusta property owned by Mr. Gupta is around 51738 sq. ft. with 64 parking spaces, which were leased out to Akamai Technologies Private Limited in December 2018 for 10 years. The other project, i.e., Kaman Amaryllis, has a built-up area of around 31091.38 sq. ft. with 48 parking spaces and has been leased out to The Executive Centre since November 2020 for 10 years. Both of the lease contracts have an escalation clause of 15 percent every three years throughout the lease duration, which provides long-term revenue visibility for the firm over the medium term. Furthermore, both properties are located at Embassy Golflinks Business Park, which is considered a prime location in Bangalore for reputed companies with good connectivity to all the major parts of the city. The favourable location of the properties helped the firm attract reputed clients by leasing out both of its premises in a short span of time.

Weaknesses

Modest scale of operations

The major source of revenue generation for the firm is lease rentals received from its tenants. The firm has leased out both its owned properties to two tenants in Bangalore. The firm achieved modest revenue of Rs. 14.50 crore in FY2022 as against Rs. 11.07 crore in FY2021. The growth in revenues was mainly on account of the escalation clause.

Acuite believes that the revenues of the company are expected to remain modest over the medium term owing to long-term lease agreements with both of its tenants.

Susceptible to the underperformance of the lessee along with renewal risk.

The main revenue source for the firm is the income generated from lease rentals. The firm is currently leasing its properties to only two tenants, because of which the firm's ability to meet its repayment obligations will be highly dependent on the continued and timely flow of rentals under the leave and licence arrangement. The occurrence of events such as delays in receipt of rentals or early exits or renegotiations by lessees due to the latter's lower than expected business performance may result in disruption of cash flow streams, thereby affecting the firm's debt servicing ability. Further, any significant increase in competition from any other large real estate company in a competitive market like Bangalore may result in KSS's properties facing renewal risks. However, such risks are mitigated to some extent with long-term lease agreements with both tenants with a lock-in period of five years.

Rating Sensitivities

- Timely receipt of lease rentals
- Any termination of lease from the existing tenant leading to stretched liquidity position

All Covenants

Not Applicable

Liquidity Position

Adequate

The liquidity position of the firm is adequate, marked by adequate net cash accruals against repayment obligations. The firm generated cash accruals of Rs. 8.56 crore in FY2023E against a repayment obligation of Rs. 6.94 crore for the same period. Going ahead, the cash accruals are expected to be in the range of Rs. 10.42 crore to Rs. 13.00 crore during FY 2024–25, and the maturing debt obligations are expected to be in the range of Rs. 7.79 crore to Rs. 7.83 crore. The firm maintains unencumbered cash and bank balances of Rs. 0.13 crore, and the current ratio stood at 2.42 as of March 31, 2022.

Outlook: Stable

Acuité believes that KSS will maintain a 'stable' outlook over the medium term based on its promoter's industry experience. The outlook may be revised to 'positive' if the company generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'negative' in the event of any significant stretch in its receivables leading to a deterioration of its financial flexibility and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	14.50	11.07
PAT	Rs. Cr.	7.55	4.63
PAT Margin	(%)	52.09	41.84
Total Debt/Tangible Net Worth	Times	1.79	2.20
PBDIT/Interest	Times	2.23	1.82

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

Brickworks vide its press release dated 15th March 2023, had downgraded the company to BWR B+/Stable; issuer Not Cooperating.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jun 2023	Lease Rental Discounting	Long Term	11.31	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.15	ACUITE BBB- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	41.54	ACUITE BBB- Stable (Reaffirmed)
07 Mar 2022	Proposed Bank Facility	Long Term	2.15	ACUITE BBB- Stable (Assigned)
	Lease Rental Discounting	Long Term	11.31	ACUITE BBB- Stable (Assigned)
	Lease Rental Discounting	Long Term	41.54	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	41.54	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	11.31	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.15	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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