

January 17, 2013

Facilities	Amount (Rs. Crore)	Rating
Secured Overdraft	2.82	SMERA BB-/Stable (Assigned)
Term Loan	4.75	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs.7.57 crore bank facilities of Kamla Homes & Lifestyles Private Limited (Kamla). The outlook is '**Stable**'. The rating is supported by the completion of the company's two projects (Shiv Prasad and Sai Shanti), which were funded by the above-mentioned loans. The rating is further supported by the company's experienced management. However, the rating is constrained by the company's holding inventory and outstanding receivables amidst a general slowdown in the real estate industry. The rating is further constrained by the risk of application of funds towards the other ongoing projects of the company.

Kamla, incorporated in 2008, is a Mumbai-based real estate development company. Kamla's rating derives strength from the completion of two projects (Sai Shanti and Shiv Prasad), for which the company booked revenues of Rs.17.36 crore in FY2013-14 (refers to financial year, April 01 to March 31). Kamla benefits from its experienced management. The company's promoters have three decades of experience in the real estate industry. Moreover, the management has bagged 20 projects over the last three years.

Kamla's rating is constrained by outstanding receivables of Rs.2.06 crore and holding inventory of Rs.10.00 crore (as on November 30, 2013) in the completed projects (Sai Shanti and Shiv Prasad). The company has debt repayment obligation of Rs.7.57 crore during January 2014 to September 2014. Kamla has made funding arrangement for partial repayment of the aforementioned obligation. For further repayments, the company will be dependent on monetization of the holding inventory and outstanding receivables. Kamla is exposed to intense competition prevalent in the real estate sector, which is currently undergoing a slowdown. Moreover, the recent hike in stamp duty will further increase cost of ownership, thereby hurting demand. Kamla is currently executing 24 projects, of which 12 projects are on a slow track. Moreover, no immediate cash inflow is expected from the company's slow-moving projects. Application of funds from the company's completed projects to the ongoing projects will increase the risk of delay in debt repayment.

Kamla has a weak financial profile marked by low net worth of Rs.0.68 crore and high leverage of 26.39 times as on March 31, 2013.

Rating sensitivity factors

- Generation of healthy cash accruals
- Timely repayment of debt

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About the company

Kamla, incorporated in 2008, is a Mumbai-based real estate development company promoted by Mr. Pravin C. Jain, Mr. Dwarkesh D. Seth and Mr. Ajay B. Rawal.

Kamla is mainly involved in undertaking redevelopment projects in Mumbai's suburbs.

Kamla's net worth stood at Rs.0.68 crore as on March 31, 2013, as compared with Rs.0.78 crore a year earlier. The company's total debt stood at Rs.18.06 crore as on March 31, 2013, as compared with Rs.7.39 crore a year earlier.

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