



SMERA RATINGS LIMITED

Charms India Private Limited (CIPL)

*Rating
Rationale*

February 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	30.00	SMERA B+/Stable (Assigned)
Bank Guarantee	6.78	SMERA A4 (Assigned)
Overdraft	8.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA Single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Charms India Private Limited (CIPL). The outlook is '**Stable**'. The ratings are constrained by execution and funding risks inherent in Phase – II of the company's ongoing project. The ratings note that the company faces intense competition in the real estate sector. The ratings also note that the company's financial profile is exposed to project saleability and geographic concentration risks. However, the ratings are supported by the company's experienced management, healthy net profit margins and strong coverage indicators. The ratings also draw comfort from the advanced stage of execution of Phase – I of the company's ongoing project.

CIPL, incorporated in 1996, is a Delhi-based real estate company engaged in developing residential and commercial properties. CIPL also operates a hotel (Le- Cresant) in Ghaziabad. The company is currently developing a residential building (named Charms Castle) in Raj Nagar, Ghaziabad. CIPL is exposed to execution and funding risks inherent in Phase – II of the ongoing project (Charms Castle). Moreover, the funding tie-up for Phase – II of the ongoing project is pending. The company faces intense competition from several ongoing real estate projects (undertaken by various reputed builders such as Supertech Builders and Amrapali Builders) in Ghaziabad. CIPL is also exposed to project saleability risk, which is intensified by the current slowdown in the real estate sector. The company's operations are concentrated in the Ghaziabad region.

CIPL benefits from its experienced management. The promoters of the company have around ten years of experience in the real estate sector. CIPL's net profit margin is healthy at 12.90 per cent in FY2013–14 (refers to financial year, April 01 to March 31). The company reported strong interest coverage ratio of 8.65 times in FY2013–14.

CIPL has completed ~71 per cent development of Charms Castle Phase – I. The company has registered moderate booking levels of ~66 per cent in the first phase of the ongoing project.

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Outlook: Stable

SMERA believes CIPL will maintain a stable business risk profile over the medium term on the back of moderate booking levels registered in Phase – I of the ongoing project. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company generates steady cash flows from customer advances. The outlook may be revised to 'Negative' in case the company faces liquidity pressures arising from delays in execution of project and receipt of customer advances.

About the project

CIPL is currently developing a residential building (named Charms Castle) in Raj Nagar, Ghaziabad. The project is spread over an area of 38.60 acres. The project development is divided in two phases. The company has completed ~71 per cent development of Phase – I and ~17 per cent development of Phase – II of the project. CIPL registered booking levels of ~66 per cent (as on November 30, 2014) in Phase – I of the project.

About the company

CIPL, incorporated in 1996, is a Delhi-based real estate company engaged in developing residential and commercial properties. CIPL also operates a hotel (Le- Cresant) in Ghaziabad.

For FY2013–14, CIPL reported net profit of Rs.5.81 crore on total income of Rs.45.05 crore, as compared with net loss of Rs.0.09 crore on total income of Rs.1.34 crore in FY2012–13. CIPL's net worth stood at Rs.12.03 crore as on March 31, 2014, as compared with Rs.6.21 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President – SME Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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