

April 22, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan	12.40	SMERA B-/Stable (Assigned)
Proposed Term Loan	0.60	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-(read as SMERA Single B Minus)**' to the abovementioned bank facilities of BM Habitat (BMH). The outlook is '**Stable**'. The rating is constrained by past instances of delays in repayment of the firm's debt obligations. The rating is also constrained by the firm's exposure to the cyclicity inherent in the commercial real estate sector. However, the rating draws comfort from the firm's rental discounting mechanism, which lends some assurance of timely repayments to bankers. The rating is also supported by the firm's experienced management.

BMH is a part of the Habitat Shelters Group. BMH has built a shopping mall-cum-multiplex in Mysore, Karnataka. The firm is engaged in renting and operating the mall since October 2012. BMH was irregular in repaying its bank loans in the past. However, the firm is currently repaying and servicing its bank loans regularly. BMH's operations are susceptible to the current slowdown in the commercial real estate sector.

BMH has recently implemented a rental discounting mechanism, which includes an escrow account. As per the aforementioned mechanism, rents from three tenants are deposited in an escrow account, which is used for servicing and repayment of bank debt.

BMH benefits from its experienced management. The partners of the firm have around two decades of experience in the real estate sector.

Outlook: Stable

SMERA believes BMH's outlook will remain stable over the medium term. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the firm's profitability. The presence and effectiveness of the rental discounting mechanism is a key rating sensitivity.

About the firm

BMH, established in 2005, is a Karnataka-based partnership firm. BMH has built a shopping mall-cum-multiplex (named in BM Habitat) in Jayalakshmipuram, Mysore (Karnataka). The mall became operational in October 2012. BMH is engaged in renting and operating the mall. The firm's tenants include Bharti Wal-Mart, Max Lifestyle, Reliance Retail, KFC, DRC Cinemas and Soch.

For FY2012-13, BMH reported net loss of Rs.1.88 crore on operating income of Rs.4.6 crore, as compared with net loss of Rs.19.64 crore on operating income of Rs.19.64 crore for FY2011-12. The firm's net worth stood at Rs.11.32 crore as on March 31, 2013, as compared with Rs.12.45 crore a year earlier.

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