

May 28, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan	6.37	SMERA B-/Stable (Assigned)
Proposed Term Loan	3.63	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA B minus**) to the abovementioned bank facilities of Samhrutha Habitat Infrastructure Private Limited (SHIPL). The outlook is '**Stable**'. The rating is constrained by the company's exposure to cyclicalities inherent in the commercial real estate sector. The rating is also constrained by past instances of delays in debt servicing by SHIPL's group entity. However, the rating draws comfort from SHIPL's rental discounting mechanism, which provides some assurance of timely repayments to bankers. The rating is also supported by the company's experienced management.

SHIPL (incorporated in 2006) is a part of the Habitat Shelters Group. SHIPL has built a shopping mall-cum-multiplex (named Urban Oasis Mall) in Hubli, Karnataka. The company is engaged in renting and operating Urban Oasis Mall since November 2012. SHIPL's operations are susceptible to the current slowdown in the commercial real estate sector. The company's group entity was irregular in servicing debt in the past.

SHIPL has implemented a rental discounting mechanism, according to which rents from three tenants are deposited in an escrow account, which is used for servicing and repayment of bank debt.

SHIPL benefits from its experienced management. The promoters of the company have around two decades of experience in the real estate sector.

Outlook: Stable

SMERA believes the outlook on SHIPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers sustained growth in operating income and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability. The presence and effectiveness of the rental discounting mechanism is a key rating sensitivity.

About the company

SHIPL, established in 2006, is a Karnataka-based company. SHIPL has built a shopping mall-cum-multiplex in Hubli, Karnataka. The company is engaged in renting and operating the shopping mall-cum-multiplex since November 2012. SHIPL's tenants include Easy Day, KFC, FabIndia and Raymond.

For FY2012-13, SHIPL reported net profit of Rs.0.66 crore on operating income of Rs.7.04 crore. The company's net worth stood at Rs.14.93 crore as on March 31, 2013.

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