

AUGUST 21, 2015

CARE ASSIGNS 'CARE BB' RATING TO THE BANK FACILITIES OF MERITRA HOMES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	15	CARE BB (Double B)	Assigned
Total Facilities	15 (Rupees Fifteen crore only)		

Rating Rationale

The rating assigned to the proposed bank facilities of Meritra Homes Private Limited (MHPL) is constrained by the company's relatively short track record of real estate operations concentrated in the Ernakulam region, high dependence on customer advances towards execution of projects, execution risk with large projects scheduled simultaneously and financial risk profile marked by high overall gearing & moderate debt coverage indicators. The rating also factors in MHPL's exposure to inherent cyclicalities and intense competition associated with the real estate industry. The rating, however, draws strength from the experience of the promoter in the real estate business and comfortable booking status in the ongoing projects.

Going forward, timely completion of the ongoing projects within the estimated costs and timely receipt of funds from the customers would be the key rating sensitivities.

Background

MHPL is an Ernakulam-based company engaged in development of residential real estate projects, under the brand name 'Meridian Homes'. MHPL, promoted by Mr T N Ravishankar in the year 2005, specializes in development of luxury and premium villas. As on June 2015, the group has completed 4 residential projects and a commercial project in Ernakulam and its suburban areas with a total saleable area of 2.46 lakh square feet (Isf).

MHPL is currently executing four residential projects in various places around Ernakulam with a total saleable area of 2.46 Isf, including 3 villa projects – 'Palm Meadows', 'Blue Waters' and 'Sovereign'. The fourth project, 'Towers Eleven', is a multi-storied apartments developed under Joint Venture (JV) model with the land owner. As on June 2015, while 'Palm Meadows' and 'Blue Waters' are in the final phase of construction, 'Sovereign' project has 69% completion and 'Tower Eleven' project has been recently launched. Apart from these ongoing projects, the company has planned to launch 3 new residential projects with a total saleable area of 7.31 Isf.

During FY14 (refers to the period April 1 to March 31), MHPL generated a PAT of Rs.0.9 crore on a total operating income of Rs.19.6 crore. As per the provisional FY15, MHPL generated a PAT of Rs.1.3 crore on a total operating income of Rs.26.5 crore.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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