

Eram Property Network Private Limited

July 2, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	32.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale & key rating drivers

The rating assigned to the bank facilities of Eram Property Network Private Limited (EPN) continue to be constrained by high tenant concentration risk, rollover risk of the existing leases, and leveraged capital structure. The rating, however, derives strength from experienced and resourceful promoters with demonstrated track record of developing and leasing of properties, favourable location of the properties, and growth in occupancy levels.

Rating sensitivities: Factors likely to lead to rating actions.

Positive Factors

- Diversification of clientele resulting in lower client concentration
- Improvement in capital structure with overall gearing below 1.50x
- Improvement in occupancy to over 90% across all constructed properties leading to improving cash coverage ratio (CCR)

Negative Factors

- Deterioration in capital structure leading to increase in overall gearing beyond 5.00x.
- Pre-mature termination of lease agreement with any of the key tenants leading to reduction in occupancy rates.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the entity is expected to sustain occupancy levels and benefit from limited counterparty credit risk owing to its association with reputed tenants.

Detailed description of the key rating drivers

Key weaknesses

Leveraged capital structure

The company's capital structure continues to remain leveraged marked by overall gearing of 4.52x as on March 31, 2024 as against 3.74x as on March 31, 2023. The promoters have infused interest free unsecured loans to the tune of ₹53.92 crore as on March 31, 2024, a part of which has also been utilised to fund the group companies. As on March 31, 2024, the investments into group companies stood at ₹27.43 crore (PY: ₹22.69 crore). The debt coverage indicators stood weak marked by interest coverage and Total debt (TD)/ PBDILT of 1.37x and 20.97 years as on March 31, 2024.

Tenant concentration risk

Although EPN has a reputed tenant profile which includes reputed corporates like Trent Limited, Barbeque Nation Hospitality & group concern, Eram Motors Private Limited (EMPL)(rated CARE BBB-; Stable), it remains exposed to tenant concentration risk as the top 3 tenants occupy around 78% of the total leased space and contribute around 90% of total rentals as of May 31, 2024. EMPL, its group concern accounts for 60% of the overall leasable area. The ability of the company to reduce its client concentration and diversify its tenant profile shall remain crucial from a credit perspective.

Rollover risk of existing leases

Most of the leases with external tenants carry the risk of non-renewal post the stipulated lock-in period of 3 years. However, most of the leases are for a tenure of 15 years with a rent escalation of 15% every three years thereby mitigating tenant turnover risk and renewal risk to an extent. There is no escalation arrangement with the group concern, EMPL, which may lead to limited growth in future rentals.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Experienced and resourceful promoter group

EPN is part of the Eram Group, a GCC based conglomerate headquartered in Saudi Arabia. The group has business interests across oil & gas, power & utilities, travel, food, healthcare and automotive sectors with presence in over 16 countries including India. The group is promoted by Dr. Siddeek Ahmed Haji Panamtharayil who possesses over three decades of experience across sectors. Notable entities in the group include Eram Motors Private Limited (EMPL) (rated CARE BBB-; Stable) and Eram Magnaflux Systems Private Limited.

Growth in occupancy levels

EPN has a total leasable area of 1.83 lakh sq. ft. (lsf) across different properties located in Kochi (0.68 lsf), Thrissur (0.63 lsf) & Calicut (0.49 lsf). The properties in Calicut and Thrissur are leased to the group company EMPL and are 100% occupied. The occupancy in Kochi and Trivandrum properties which have been built for external tenants have also improved to 60% as on May 31, 2024 (June 30, 2023: 41%) as company has onboarded new tenants in FY24. Combined occupancy of all properties stood at 84% as on May 31, 2024 as against 75% as on June 30, 2023. The ability of the company to further increase its occupancy levels by onboarding new tenants shall remain a key rating monitorable.

Favourable location of properties

EPN's property portfolio is situated in prime locations across main industrial hubs of Kerala including Ernakulam, Kozhikode, Thiruvananthapuram, Kannur, and Thrissur. The company's flagship property "Esperanza" is located in Kakkanad, Kochi with close proximity to the region's flourishing IT sector and has the potential to attract a number of tenants due to its locational advantage.

Liquidity: Stretched

EPN's liquidity profile is stretched marked by the tightly matched accruals against repayment obligations. The cash balance stood low at ₹0.10 crore as on March 31, 2024 (Prov.). However, comfort is drawn from long and ballooning repayment period of repayment period of 15 years with modest repayments in the first five years. The liquidity position of the company is expected to improve as lease rentals are expected to increase with increase in occupancy rate in the coming years.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Debt backed by lease rentals](#)

About the entity and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

EPN, incorporated in the year 2009, is a part of the Eram group. The company was formed to engage in the business of buying and selling of land and buildings, real estate development, construction services and development of network of residential townships. The company is managed by Dr. Siddeek Ahmed, the chairman and Managing Director. As on May 31, 2024, the company owns about 1.8 lakh sq ft of leasable area.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	4.03	5.23	6.91
PBILDT	2.46	3.33	4.13
PAT	-8.34	-2.64	-1.97
Overall gearing (times)	2.97	3.74	4.52
Interest coverage (times)	1.18	1.43	1.36

A: Audited Prov: Provisional; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial		-	-	-	32.00	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	32.00	CARE BB+; Stable	-	1)CARE BB+; Stable (04-Aug-23)	-	-

*Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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