Emami Realty Limited

November 27, 2018

Rating

Facility	Amount (Rs. Crore)	Rating[1]	Rating Action
Long-term Bank Facilities	100.00 **(Rupees One Hundred crore Only)**	**Provisional CARE A- (SO); Stable (Provisional Single A Minus (Structured Obligation); Outlook: Stable)***	Assigned

**based on the proposed credit enhancement in the form of shortfall undertaking from Bhanu Vyapaar Private Limited (BVPL) for replenishment of DSRA for the entire loan and interest payment of the rated facility during the entire tenure of the loan. 'Provisional' rating shall be confirmed once the shortfall undertaking is executed.*

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The aforesaid provisional rating assigned to the bank facility of Emami Realty Limited (ERL) (formerly Emami Infrastructure Limited) derives strength from the proposed credit enhancement in the form of 'Shortfall undertaking' from BVPL (holding 12.24% of Emami Limited's (EL) shares). The rating draws comfort from the structured payment mechanism in place to ensure timely payment, significant holding of shares of EL by BVPL and strong parentage and group support.

Detailed description of the key rating drivers

Key Rating Weaknesses

Shortfall undertaking for DSRA replenishment

BVPL, the investment company of Emami group, has proposed to provide for a shortfall undertaking for replenishment of DSRA for the entire loan and interest payment of the rated facility of ERL during the entire tenure of the loan. ERL is required to maintain DSRA equal to one quarter of interest and principal, to meet the debt servicing requirements of the facility. The lender has the right to demand replenishment of DSRA from BVPL if the same is not replenished by ERL within 15 days from the date of withdrawal. If the same is not replenished by BVPL also, within 25 days of its withdrawal, then it will constitute an event of default. The structured payment mechanism coupled with the amount of liquid investments held by the guarantor, provides comfort towards timely repayment of such loan.

Strong parentage and group support

The company belongs to Kolkata based Emami group having major interest in cosmetics, ayurvedic medicines, real estate, retail, hospitals, paper, cement, bio-diesel, pharmacy, art and edible oil. The promoters of the group, Mr. R S Agarwal and Mr. R S Goenka, are professionally qualified, with rich business experience of over four decades. Over the years, the group has demonstrated continuous support to ERL by infusing funds from time to time by way of Inter-corporate Deposits through associate companies and raising of debt through pledge of shares held by promoters in EL. The promoters hold significantly high number of shares of EL (72.7% in EL as on June 30, 2018), out of which 42.02% are pledged (i.e. 30.57% of total outstanding shares) against which a debt of Rs.4,000 crore is outstanding as on that date.

Significant holding of shares of Emami Limited by BVPL and robust credit profile of the underlying shares

BVPL holds around 12.24% of equity shares of EL, having market value of Rs.2,883 crore as on September 24, 2018 (market value of free shares was Rs.1219 crore as on that date). EL, the flagship company of Kolkata-based Emami group, is one of the leading FMCG companies in India. EL has a robust financial risk profile with healthy gross cash accruals, comfortable capital structure and liquidity position with low utilisation of bank limits.

Analytical Approach: Credit enhancement in the form of shortfall undertaking from BVPL

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology – Factoring Linkages in Ratings

About the Company

ERL (formerly Emami Infrastructure Limited (EIL)), incorporated in 2008 and part of the Emami Group of Kolkata is engaged in real estate projects in residential, commercial and retail sectors. In 2016, the Emami group companies, ERL and Emami Rainbow Niketan Private Limited, engaged in real estate activities, were amalgamated with erstwhile EIL with effect from April 01, 2015 (the appointed date). Zandu Realty Limited (ZRL), another Emami group company, engaged in the business of real estate has been amalgamated with erstwhile EIL with effect from April 01, 2017 as per order dated May 04, 2018 with a view to consolidate real estate business of the group under single entity, EIL. In October 2018, the

company was renamed as Emami Realty Limited.

Under ERL, the company has already completed 1 project, Emami Swanlake in Hyderabad which consisted of a saleable area of 11 lsf. At present, the company has five on-going projects with an aggregate saleable area of 86.91 lakh sq. ft. (lsf), being developed at a total project cost of Rs.2,365 crore (ERL's share being Rs.1,905 crore). Out of the five projects, four projects have been launched and are based at different parts of the country (mostly in Metropolitan cities like Kolkata, Chennai and Mumbai). Out of the total saleable area of 86.91 lsf, the company has till Apr.30, 2018, sold 18.24 lsf (~21%) against which the company has already received Rs.575.0 crore customer advance vis-à-vis total sales consideration of Rs.837 crore for the area sold. The sold area conversely (18.24 lsf) includes 14.26 lsf, pertaining to the project "Emami City" which was launched in the month of June, 2011 comprising of a total saleable area of 21.83 lsf, against which the company has received Rs.516 crore vis-à-vis total sale consideration of Rs.1,218 crore for 'Emami City'.

Brief Financials of ERL are as follows:

(Rs. in crore)

Particulars	FY17 (A)	FY18 (A)
Total Operating income	114.48	117.93
PBILDT	175.85	215.53
PAT	14.62	3.79
Overall gearing ratio	60.60	13.45
Interest coverage ratio	1.09	1.01

A: Audited

Note: The PBILDT of the company is higher than the total revenue in FY17 & FY18 on account of increase in inventories being more than the revenue earned by the company in those years since the company follows project completion method and the revenue of the sold flats will be booked by the company in the year in which the project is completed.

Background of Guarantors – BVPL

BVPL, the guarantor company, acts as an investment holding company for the Emami Group. The company is owned by the Goenka family (promoter group). BVPL incurred a net loss of Rs.0.12 crore on a total income of Rs.32.43 crore in FY18.

Brief Financials of BVPL are as follows:

(Rs. in crore)

Particulars	FY17 (A)	FY18 (A)
Total Operating income	35.88	32.43
PBILDT	35.18	31.75
PAT	7.30	-0.12
Overall gearing ratio	2.80	3.51

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	100.00	Provisional CARE A- (SO); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	100.00	Provisional CARE A- (SO); Stable	-	-	-	-

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