



Press Release

Kalamboli Structurals and Roofings Pvt. Ltd [KSRPL]

May 19, 2020

Rating

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Proposed Term Loan (LRD Facility)	10.00	Provisional IVR BBB-/Stable Outlook (Provisional IVR Triple B minus with Stable Outlook)*	Assigned
	Total	10.00 (Ten Crore)		

**LRD rating -Based on proposed LRD Facility*

Details of facilities are in Annexure 1

Rating Rationale

The ratings assigned are provisional (denoted by the prefix 'Provisional' before the rating symbol) and is subject to fulfilment of the conditions and execution of necessary transaction documents. The final rating may differ from the provisional rating in case any of the condition remains unfulfilled and/or the completed documentation is not in line with Infomerics' expectations.

The aforesaid rating assigned to the proposed bank facilities of Kalamboli Structurals and Roofings Pvt. Ltd derives comfort from Leave & License Agreement with the client, Refinancing of existing loan with a top-up loan using LRD of longer tenure and finer rate of interest, Availability of option Agreement for additional 120 months (60 months + 60 months) and Escalation clause, Escrow mechanism and Renowned Lessees minimising counter party risk. However, the rating strengths are partially offset by the receivables being dependent on a solitary client and a lack of alternate cash flows.

Key Rating Sensitivities:

Upward Rating Factor:

- None, as it is a proposed LRD with already fixed and incorporated terms and condition i.e. rent escalation clause etc.



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Downward Rating Factor:

- Any company and/or external factor leading to decline in cash flows as projected will lead to a rating downgrade.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Leave & License Agreement with the clients

There exists a Master Lease Agreement (MLA) between Kalamboli Structurals and Roofings Private Ltd. (Licensor) and its tenant i.e. Adani Electricity Mumbai Limited. The Licensor has agreed to allow the Licensee to use and occupy the said Licensed Premises admeasuring 4,9146 Sq.Ft on leave and license basis for a period of 5 (five) years commencing from 15th March 2020 and ending upon 14th March 2025, on terms and conditions as mutually agreed upon by both the Parties.

Refinancing of existing loan with a top-up loan using LRD of longer tenure and finer rate of interest, thus decreasing pressure on cash flows

The company has availed a total term loan of INR40.72 Crore with a total tenure of 15 years at a current rate of interest at 10.95% per annum. The company is planning to refinance existing loan with a top up loan (Total amount being INR60.00 Crore including outstanding of the current loan) of longer tenure and finer rate of interest (around 10.50%), thus decreasing pressure on cash flows.

Availability of option Agreement for additional 120 months (60 months + 60 months) and Escalation clause

The Licensor & the Licensee also entered into an option agreement for the further period of 120 months (60 months + 60 months). All terms and condition will be same except that the License fee. According to the clause, the License Fee for the Licensed Premises shall stand escalated correspondingly @ 4.1 % on the last paid License Fee, every 12 months from the License Commencement Date, for the duration of the Agreement.



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Escrow mechanism

There will be an escrow mechanism for the proposed LRD. Cash flow which is generated out of lease rental proceeds from KSRPL's tenant i.e. M/s. Adani Mumbai Electricity Limited will be credited in the borrowers account after meeting the monthly obligation towards the loan taken

Renowned Lessees minimising counter party risk

Adani Electricity Mumbai Limited (AEML) is a 100% subsidiary of Adani Transmission Ltd. Adani Transmission Limited (ATL) which is a part of the Adani Group has acquired Reliance Infrastructure Limited's (R-Infra) integrated Mumbai power business. The acquired asset from R-Infra is housed in Adani Electricity Mumbai Limited (AEML) (formerly known as Reliance Electric Generation and Supply Limited), a newly formed subsidiary of ATL.

Key Rating Weaknesses

Receivables dependent on a single client and lack of alternate cash flows

The customer concentration risk will be high for the company as it will only earn receivables from the Adani Electricity Mumbai Limited. It shows a very high dependence of company earnings on from only one entity. However, favourable lock in clause safeguards the cash flow to major extent.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Cash Flow Projection shows an adequate liquidity position for Kalamboli Structurals and Roofings Pvt Ltd. Cash flow is sufficient enough to cover the debt repayment obligations in the future period



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About the company

Incorporated in April 1988, KSRPL is a Private Limited Company managed by directors – who are well qualified engineers and have more than three decades of experience in the field of Engineering, Sourcing, Agency, Manufacturing, Trading, Consultancy, Civil and Mechanical field. KSRPL has few sister concerns which are into EPC Contracts, Warehousing and other allied activities. KSRPL has carried out trading and construction activities for the past three decades or so. Presently, it partly owns a building at Kalina, Mumbai. It was constructed with in-house expertise. Majority income of the Company presently is from Lease Rent and trading activities.

Financials (Standalone)

INR in Crore

For the year ended* / As on	31-Mar-18 (Audited)	31-Mar-19 (Audited)
Total Operating Income	6.06	6.41
EBITDA	5.11	5.30
PAT	3.11	0.73
Total Debt	37.70	39.80
Tangible Net Worth	22.48	23.22
EBIDTA Margin (%)	84.37	82.62
PAT Margin (%)	50.55	11.31
Overall Gearing ratio (x)	1.68	1.71

** Classification as per Infomerics' standards*

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities (a)	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan – LRD Facility	Long Term	10.00	Provisional IVR BBB Minus/ Stable Outlook	--	--	--

**LRD rating based on proposed LRD Facility*

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Proposed Term Loan - LRD	NA	NA	NA	10.00	Provisional IVR BBB -/ Stable Outlook