

Press Release

River Rose Venture LLP

April 06, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Proposed Term Loan (LRD Facility)	105.00	Provisional IVR BBB-/Stable Outlook (Provisional IVR Triple B minus with Stable Outlook)*	Assigned

**LRD rating -Based on proposed LRD Facility*

Details of Facilities are in Annexure 1

Detailed 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 River Rose Venture LLP derives comfort from Master Lease Agreement with the client, High Switching cost for the tenant, Refinancing of existing loan with a top-up loan of Rs.25.0 crore using LRD of longer tenure and finer rate of interest, Renewal clause in Master Lease Agreements & Escalation clause and Escrow mechanism. 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(s)

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

Downward rating factor(s)

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

Key Rating Drivers with detailed description

Key Rating Strengths

Master Lease Agreement with the clients

There exist a Master Lease Agreement (MLA) between River Rose Venture LLP (Lessor) which is engaged in business of development and leasing of premises and its client (lessee) i.e. Firmenich Aromatics production (India) Private Limited which is privately -owned fragrance & Flavour Company. The agreement clause states that the rent and maintenance charges along with applicable goods and services tax shall be paid monthly in advance on or before the tenth day for each calendar month in respect of which rent and maintenance charges are due. In the event if there is any delay in payment of the rent or maintenance charges or any other utility or other charges as specified in the deed beyond a period of thirty (30) business days of such charges becoming due, then the lessee shall be liable to pay interest on the rent, maintenance charges and/or utility or other charges, as the case may be, at the rate of eighteen percent (18%) per annum for such applicable due date until the date of actual payment thereof.

High Switching cost for the tenant

The lessee had incurred the R & D specification cost or fit out cost of around 7,000 per sq. ft. (around Rs.55.0 crore). Though the terms and condition of MLA agreement assures that lessee shall not be entitled to terminate the lease for a period of six years from the lease commencement date and lease is valid for a period of nine (9) years from the lease commencement date. If the deed be terminated, prior to the expiry of the lock in period, the lessee shall be liable to pay the lessor the rent, maintenance charges and charges for actual utility usage for the remaining duration of the lock in period. But, there exist an in-built security for the lessor as the fit out cost is high. Hence, it acts as a deterrent for a lessee to switch.

Refinancing of existing loan with a top-up loan of Rs.25.0 crore using LRD of longer tenure and finer rate of interest , thus decreasing pressure on cash flows

The company has availed total term loan of Rs.79.59 Crores with a total tenure of 15 years with an interest rate of 11.2% p.a. The company is planning to take a top-up loan of around Rs.25.0 crore in FY21 using LRD of longer tenure and finer rate of interest (not more than 9%), thus decreasing pressure on cash flows.

Renewal of Master Lease Agreements and Escalation clause

The master lease agreements have been entered with Firmenich Aromatics production (India) Private Limited for 9 years commencing from October 10th 2018 for a total leasable area of 71,849 Sq. Ft. (can be further renewed/extended for the period of 9 years) and there is an Escalation clause too. According to the clause, there is an escalation of Fifteen percent (15%) on the rent at the end of three (3) years from the lease commencement date. Thereafter there will be an escalation of five percent (5%) on the last paid rent at the end of every year of the term

Escrow mechanism

There will be an escrow mechanism for the proposed LRD. Cash flows which is generated out of lease rental proceed from River Rose's tenant i.e. M/s. Firmenich Aromatics Production (India) Pvt Ltd. will be credited in the borrowers account after meeting the monthly obligation towards the loan taken

Key Rating Weaknesses

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

The customer concentration risk will be high for the firm as it will only earn receivables from the Firmenich Aromatics production (India) Private Limited. It shows a very high dependence of firm earnings on from only one entity. However, favourable lock in clause safeguards the cash flow to major extent which states:

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 River Rose Venture LLP.

Cash flow is sufficient enough to cover the debt repayment obligations in the future period

About the Company

River Rose Venture LLP was incorporated in the year 2007 and it is a part of ABR Realty Group. ABR group has more than 15 years of experience in real estate sector. ABR realty group has been in the business of building and construction of premium solutions to the multinational and domestic clients.

Financials:

In Crs.

For the year ended*/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	0.00**	2.48
EBITDA	0.00	1.89
PAT	-0.01	-1.22
Total Debt	23.62	65.16
Tangible Net-worth	-0.07	-0.38
Ratios		
EBITDA Margin (%)	NA	76.19
PAT Margin (%)	-147.51	-48.38
Overall Gearing Ratio (x)	NM	NM

* Classification as per Infomerics' standards

** The rental income has started in FY19. Hence, there is no revenue in FY18.

NM: Not Meaningful

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

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 (Rs. 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	105.00	Provisional IVR BBB Minus/ Stable Outlook	--	--	--	

*LRD rating based on proposed LRD Facility

Infomerics Valuation and Rating Pvt. Ltd.



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 (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan - LRD	NA	NA	NA	105.00	Provisional IVR BBB -/ Stable Outlook