



## Infomerics Valuation and Rating Pvt Ltd

Press Release

Infomerics Valuation and Rating Pvt Ltd has assigned IVR BBB-(Is) / Stable Outlook issuer rating (pronounced IVR triple B minus IS with Stable Outlook) to Karle Infra Pvt Ltd (KIPL).

Instruments with this rating are considered to have moderate degree of safety for timely repayment of financial obligations and carry moderate credit risk.

The aforesaid rating has factored in the established presence of Karle group in Bengaluru real estate segment, reasonable experience in project execution, timely completion of part of the project and having made the same commercially operational, satisfactory progress in implementation of remaining part of the project and satisfactory past debt servicing history. The rating has also factored in the large size of the project under implementation, negotiation for deployment of Hub 2 being in nascent stage, uncertainty associated with renewal of existing leases to ensure regular cash inflow, likelihood of leverage of the company getting impaired with the completion of entire project and volatility prevailing in the domestic real segment. Timely completion of the remaining part of the project without any cost escalation, profitable deployment of the same and continuity of cash inflow from Hub 1 shall remain the key rating sensitivities.

Karle Infra Pvt Ltd (KIPL), incorporated in 2008, is a privately held real estate developer, belonging to the Karle group of Bengaluru. While the group came into being way back in 1972 with setting up of garments manufacturing units, it forayed into real estate construction in 2007. Although KIPL is mainly in construction of commercial projects, the group is involved in all facets of construction. The company currently has one project in its portfolio.

KIPL is, currently, developing IT/ITeS SEZ of 3.6 million square feet (msf). This project is part of the Karle Town Centre, which is situated besides Navagara Lake at Outer Ring Road, in North Bengaluru. Karle Town Centre entails development of 10 msf area - 40% is for the development of residential projects in two phases, 40% is for SEZ and non SEZ office space and 20% is for food, retail and entertainment park. The centre is located near Manyata Tech Park which houses several IT majors and thus, provides the catchment area for prospective buyers.

The first phase of the office space project is divided into two hubs; Hub 1 and Hub 2. Hub 1 comprised of 0.5 msf and has been fully completed. The entire space has been leased out to IT majors including HCL Technologies, Conversant Software Development Services and Concentrix Daksh Services. In Hub 2, which comprises development of 0.5 msf, 80% of the construction is reportedly complete. The project is expected to be fully completed by June 2016, ahead of the projected completion date of December 2016. As regards booking of the space under phase II, there has been no development and hence, indicates a sort of uncertainty

In FY15, KIPL reported net sales of Rs. 1 crore with net losses of Rs. 12 crores.

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