



## Press Release

**E Krishnappa**

**November 21, 2023**

### Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Fund Based - Long Term Bank Facilities – Term Loan	36.00	IVR B+/ Stable (IVR B Plus With Stable Outlook)	Assigned	Simple
<b>Total</b>		<b>36.00</b> <b>(Rupees Thirty-Six crore only)</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of E Krishnappa factors in the Experience of the proprietor and steady cash flow of lease rental. The ratings, however, are constrained by Exposure to contract renewal or sudden exit of tenants impacting cash-flows, Project execution risk.

### Key Rating Sensitivities:

### Upward Factors

- Optimum occupancy of tenants along with scheduled rent escalation collectively leading to improvement in debt protection metrics.
- Schedule completion and leasing out of the ongoing under construction godown/ warehouse.



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### Downward Factors

- A fall in occupancy and/or average rental rate leading to deterioration in debt protection metrics.
- Any proprietor related and/or external factor leading to less than projected cash flows.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced proprietor

E. Krishnappa is a proprietorship firm engaged in the warehouse and rural godown rental business. With over four decades of business expertise, he has a diverse background that includes real estate ventures, layout formation, film production, and industrial pursuits.

##### Steady flow of lease rentals:

The firm has leased out its premises to 2 tenants and receives steady cash flow in the form of monthly lease rentals. The lease agreement ranges between 5-10 years.

#### Key Rating Constraints

##### Exposure to contract renewal or sudden exit of tenants impacting cash-flows.

Major lease agreements made are for a long term in tenure of 5 to 10 years, with a certain lock-in period. Once the lock-in period is over, the tenant could move out, which can adversely impact the rental inflows. However, this risk is mitigated by the notice period to be served, long-term relationship with various clients and strategically well-located area.



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### **Project execution risk**

The firm is currently in the process of constructing two warehouse/ godowns. The total area of the godowns is 370,000 sq. feet, comprising one of 300,000 sq. feet and another of 70,000 sq. feet. Construction progress stands at around 70%, and the godowns are slated for completion by January 2024 any external and/or internal factors may delay the project resulting in time & cost overrun.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Real estate entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

### **Liquidity: Stretched**

Liquidity remains stretched. However, the proprietor receive steady lease rental from the existing lease agreements, the surplus of which is moderately adequate to cover the debt repayment obligations. Proprietor has cash & cash equivalent of INR0.01 Crore.

### **About the Firm**

E. Krishnappa, an proprietorship firm I engaged in the business of leasing warehouses and rural godowns, has a diverse background in real estate, layout formation, film production, and industrial ventures.



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### Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	0.72	1.11
EBITDA	0.53	1.09
PAT	0.57	0.99
Total Debt	5.83	4.44
Tangible Net worth	3.25	4.10
EBIDTA Margin (%)	73.83	97.93
PAT Margin (%)	58.98	73.06
Overall Gearing ratio (X)	1.80	1.08

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: N.A.**

**Rating History for last 3 years:**

Sr. No.	Name of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	36.00	IVR B+/ Stable	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

S. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Term Loan	-	-	2029	36.00	IVR B+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Krishnappa-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable

**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](http://www.infomerics.com).