



## Press Release

### Global Mercantile Pvt. Ltd.

September 01, 2020

#### Rating

Sl. No.	Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	25.00	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Assigned
	<b>Total</b>	<b>25.00</b> <b>(Rs. Twenty Five crore only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Global Mercantile Pvt. Ltd. (GMPL) derives comfort from its long track record under experienced promoters, locational advantage, timely completion and delivery of previous projects, adequate land bank and stable financial risk profile marked by satisfactory profitability, comfortable gearing ratio and moderate debt coverage indicators. These rating strengths are partially offset by its small scale of operation with regional concentration risk, exposure to project execution risk, intense competition and exposure to risks relating to cyclicity in the real estate industry.

#### Rating Sensitivities

##### Upward factors

- Successful and timely completion of the on-going project
- Ability to sell-off the inventory

##### Downward Factors

- Any delays in project execution leading to cost overruns with lower-than-expected cash flows from the unsold inventories and any deterioration in liquidity profile
- Non-achievement of financial closure

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

- **Rich experience of the promoters with long track record**

The promoters of the company, Mr. Dinesh Kumar Agarwal, Mr. Dilip Kumar Agarwal and Mrs. Meena Agarwal Devi are well connected, resourceful and experienced in



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development of real estate project in North Bengal region. GMPL is a family owned business and all the directors having experience of around two to three decades in real estate segment. They are assisted by a team of qualified and experienced professionals. This apart, the company started commercial operation from 1998, thus enjoying over two decades of proven track record.

- **Locational advantage**

All the projects of company are based in North Bengal, mainly around Siliguri area. Siliguri is the gate way of North-Eastern States of India including Sikkim and a very important business destination. The area is densely populated and well connected by National Highways, Rail and Airport and has growing demand for real estate properties.

- **Timely completion and delivery of previous projects**

GMPL over a period of past 20 years has undertaken several residential and commercial projects in North Bengal area which include Sunny Tower, Hemashree Apartment, Club Town, Sanat Trade Centre, Sachin Saurav Apartment, Bose Site and similar other 20 projects. All projects were completed and delivered on time.

- **Adequate land bank**

The company along with promoters in their individual capacities, is having an adequate land bank of around 52 acres which has a market value of ~Rs.230 crore. Available of freehold land bank strengthens the credit risk profile of the company to an extent.

- **Stable financial profile marked by satisfactory profitability, comfortable gearing ratio and debt coverage indicators**

Financial risk profile of the company is satisfactory. EBITDA margin remained in the range of 50%-80% during the last three years ended in FY20 (prov.) where PAT margin is hovering around 40% during the same period. The Overall gearing ratio remained comfortable at 0.74x as on March 31, 2020. Interest coverage ratio was at 13.25x and total debt to GCA was 8.06x during FY20 (prov.).

### **Key Rating Weaknesses**

- **Small scale of operation with regional concentration risk**

Total operating income (TOI) of the company has shown an erratic movement during the last three financial years due to volatility in real estate market. During FY19, TOI has improved by ~75% on the back of higher unit sold of apartments and shops. However,



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the same has declined by 10% during FY20 (prov.) to Rs.4.38 crore on account of fall in selling price of per sq.ft. The scale of operations of the company continues to remain small in the real estate sector. The small scale of operations restricts the financial flexibility of the company in times of stress. Further, GMPL is predominantly working in the North Bengal-Siliguri area, hence suffering high degree of geographical concentration.

- **Project execution risk**

GMPL is presently coming up with a new project of three stories commercial complex at South side of Uttarayan, "The New Township", P.O. & P.S. – Matigara, Dist. Darjeeling with a total project cost of Rs.61.51 crore, financed by a debt-equity ratio of 0.68:1. GMPL has signed a lease agreement with M/s Luxmi Township and Holdings Limited for 99 years of lease hold land for developing a covered area of 1,60,133 sq.ft. The Project consists of approximately 24 units of shops spreading over three floors. The company has already infused funds by way of equity of Rs.17.25 crore till June 30, 2020. Further, financial closer yet to be achieved as the bank facilities yet to be sanctioned. Although there is in principle sanction from Union Bank of India with certain clause. The project is at its nascent stage. However, the promoters are committed to execute the project on their own in case of any delay in financial closure.

- **Intense competition**

The real estate sector in India is highly fragmented with most of the real estate developers having region-specific presence leading to creation of immense competition for the company. Overall real estate sector has adversely been impacted by demonetisation, large inventory of completed and unsold units coupled with negative market segments.

- **Exposure to risks relating to cyclicity in real estate industry**

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may affect the debt servicing ability of the company. GMPL will remain susceptible to the inherent cyclicity in the real estate sector.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-financial sector)

### **Liquidity: Adequate**

GMPL is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. Further, the company is likely to be benefited from the resourcefulness of the promoters. Overall liquidity position is expected to be adequate. The company does not avail any working capital borrowing from Bank. However, achievement of financial closure is critical for the liquidity position going forward.

### **About the Company**

Global Mercantile Pvt. Ltd (GMPL) is incorporated in October, 1998, as Planters Tea Company Private Limited in Siliguri. Later, during January 1999, the company rechristened as GMPL. The company is an established player in real estate development in and around North Bengal area. Mr Dinesh Kumar Agarwal, promoter-director, having experience of more than three decades in real estate development, along with other two directors, is at the helm of operation. GMPL has over 20 years of track record and has undertaken several residential and commercial projects in Siliguri area. GMPL is presently coming up with a new project of three stories commercial complex at South side of Uttarayan, "The New Township", in Darjeeling district. The project consists of approximately 24 units of shops spreading over three floors.

### **Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	4.87	4.38
EBITDA	2.95	2.52
PAT	2.24	1.69
Total Debt	12.06	14.03
Tangible Net worth	17.29	18.98
EBITDA Margin (%)	60.57	57.59
PAT Margin (%)	46.05	38.59
Overall Gearing Ratio (x)	0.70	0.74

\*Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA:** CRISIL has moved the rating to issuer non cooperating category vide its press release dated August 05, 2019 due to non-submission of documents.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			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 (Proposed)	Long Term	25.00	IVR BB-/Stable	-	-	-

**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).

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**About Infomerics:**

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entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Proposed	25.00	IVR BB-/Stable