



Press Release

Mitsumi Housing Private Limited

February 11, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned*
1.	Long Term Fund Based Facility – Cash Credit (Proposed)	10.00	Provisional IVR A [CE]/Stable (Provisional IVR Single A [Credit Enhancement] with Stable Outlook)
2.	Short Term Non-Fund Based Facility – Bank Guarantee (Proposed)	60.00	Provisional IVR A1 [CE] (Provisional IVR A One [Credit Enhancement])
	Total	70.00	

**Based on provisional unconditional and irrevocable Corporate Guarantee from Mitsumi Distribution FZCO*

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the proposed bank facilities of the entity derives comfort from their Experienced Promoters backed by strong management team, Proposed corporate guarantee from the parent company, Leveraging latest Technology to excel in Precision and Efficiency. However, the Nature of real estate industry subject to regulations is the rating constraint.

The above rating is 'provisional' and not a comment on the achievability of the projections submitted by the company. The conversion of provisional rating into final rating will be confirmed subject to the execution of unconditional and irrevocable corporate guarantee deed from Mitsumi Distribution FZCO for the proposed bank facilities of Mitsumi Housing Private Limited to the satisfaction of Infomerics. Given the corporate guarantee of the parent company, Mitsumi Distribution FZCO, Mitsumi Housing Private Limited is assigned the said provisional rating to the proposed bank facilities of **IVR A (CE)/ Stable; IVR A1 (CE)** against the provisional unsupported rating of **IVR BB/ Stable**.

Key Rating Sensitivities



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Upward Factors: Sustained & Significant improvement in revenue & profitability margins leading to improvement in the debt protection parameters may lead to a positive rating action.

Downward Factors: Any deterioration in revenue and/or profitability margin resulting from time or cost overrun and slower than expected sales leading to deterioration in debt coverage indicators may lead to a negative rating action.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters backed by strong management team

Mitsumi Housing Private Limited has Mr. Jagat Shah and Mr. Ajay Shah as their promoters. Mr. Jagat Shah is the Chairman and Director of the company having an engineering background. Mr. Ajay Shah is the Managing Director of the company, he is an Architect, Engineer and Interior Designer. Both have more than 25 years of relevant industry experience. They are backed with a well-qualified and experienced management team.

Proposed corporate guarantee from the parent company

The rating acknowledges the fact that the parent company, Mitsumi Distribution FZCO would be backing the debt with an unconditional and irrevocable corporate guarantee to Mitsumi Housing Private Limited indicating group support to the company.

Leveraging latest Technology to excel in Precision and Efficiency

The company uses high tensile, galvanized pre-slit GI steel coils which are cold rolled into automated steel framing machines. The steel production is fully automated and synchronized as per the design and engineering software ensuring absolute precision for all construction. The Design software produces instant engineering analysis for all load conditions, deflection analysis and comprehensive engineering report resulting in a fast and automated design process, saving ample time. Moreover, the use of LGSF technology for construction helps make pre-made steel frames from factories on-site as well as off-site, in bulk. All LGSF have pre-holes made for attaching fasteners and are labelled in order to prevent any errors while assembling. This helps prevent major time and cost overrun and improve overall efficiency.



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Key Rating Weaknesses

Nature of real estate industry subject to regulations

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The central law RERA provided the basic framework of consumer protection in real estate transactions: raising disclosure requirements of builders, bridging existing information asymmetry between buyers and builders, and ring-fencing the money paid upfront by buyers.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Infrastructure Companies

Rating Methodology for Structured Debt Transactions (Non-securitization Transaction)

Financial Ratios and Interpretation (Non-Financial Sector)

Liquidity - Adequate

The company maintains sufficient cash and bank balance to meet its liquidity requirements. The liquidity of the company is expected to remain satisfactory in the near to medium term in absence of any significant term debt repayment. The average closing month end bank limit utilisation for the last 12 months ended December 2020 was moderate at 79.25%. The company has a comfortable projected DSCR indicating that the company can comfortably meet its debt obligations. Thus, the overall liquidity position of the company is **Adequate**.

About the company

Mitsumi Housing Private Limited was incorporated on March 13, 2018, and commenced business in the latter part of 2020. The company is a 100% subsidiary of Mitsumi Distribution FZCO, Dubai with one share each held by their promoters and directors Mr. Jagat Shah and Mr. Ajay Shah each.

The Ahmedabad based company is into EPC Contracts for real estate projects. They cater to mainly affordable, sustainable and eco-friendly housing projects. The company specialises in



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the use of Light Gauge Steel Frames (LGSF) which the company also manufactures. This is then used to create single or multi storeyed buildings as per the requirement.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-20
	(Audited)
Total Operating Income	0.37
EBITDA	-0.43
PAT	0.05
Total Debt	20.60
Tangible Net-worth	6.32
Ratios	
EBITDA Margin (%)	NM [#]
PAT Margin (%)	4.90
Overall Gearing Ratio (x)	3.26

*Classification as per Infomerics' standards

[#]NM - Not Meaningful

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			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.	Long Term Fund Based Facility – Cash Credit (Proposed)	Long Term	10.00	Provisional IVR A (CE)/ Stable Outlook	--	--	--
2.	Short Term Non-Fund Based Facility – Bank Guarantee (Proposed)	Short Term	60.00	Provisional IVR A1 (CE)	--	--	--

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
Long Term Fund Based Facility – Cash Credit (Proposed)	NA	NA	NA	10.00	Provisional IVR A (CE)/ Stable Outlook
Short Term Non-Fund Based Facility – Bank Guarantee (Proposed)	NA	NA	NA	60.00	Provisional IVR A1 (CE)