

CONFIDENTIAL**Ref. ICRA/IKAT Exports Private Limited/27122022/1**

Date: December 27, 2022

Mr. Rohit Raj Modi

Director

IKAT Exports Private Limited

Meher Building 1, Janpath

Bhubaneswar-751 001

Dear Sir,

Re: ICRA-assigned Credit Rating for Rs. 17.50 crore proposed Non-Convertible Debenture (NCD) Programme of IKAT Exports Private Limited

Please refer to the Rating agreement dated December 12, 2022 requesting ICRA Limited ("ICRA") to assign Rating to the Rs.17.50 crore proposed NCD Programme of your company.

Please note that the Rating Committee of ICRA, after due consideration, has assigned the long-term rating of **[ICRA]B+** (pronounced ICRA B plus) for the Rs 17.50 crore proposed NCD programme of your company. The outlook on the long-term rating is stable. Instruments with this rating are considered to have high credit risk.

In any of your publicity material or other document wherever you are using the above Rating, it should be stated as **[ICRA]B+(Stable)**.

However, ICRA reserves the right to review and/or, revise the above Ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and Investors to visit ICRA website at www.icra.in for latest Rating(s) of the Company

The Ratings are specific to the terms and conditions of the bank facilities as indicated to us by you, and any change in the terms or size of the same would require a review of the Ratings by us. In case there is any change in the terms and conditions or the size of the rated bank facilities, the same must be brought to our notice before the bank facilities is used by you. In the event such changes occur after the Ratings have been assigned by us and their use has been confirmed by you, the Ratings would be subject to our review, following which there could be a change in the Ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the bank facilities from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated Bank facilities availed/issued by your company.

The Rating(s) assigned to the proposed NCD programme of your company shall require revalidation if there is any change in the size of the rated proposed NCD programme

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You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services

With kind regards

For ICRA Limited

VALAPREDDY
ANUPAMA REDDY

Digitally signed by VALAPREDDY
ANUPAMA REDDY

Date: 2022.12.27 16:00:40 +05'30'

Anupama Reddy
Vice President

Email: anupama.reddy@icraindia.com



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December 28, 2022

IKAT Exports Private Limited: Rating Assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Proposed Non-Convertible Debentures (NCD)	-	17.50	[ICRA]B+(stable); Rating Assigned
Total	-	17.50	

*Instrument details are provided in Annexure I

Rationale

The rating assigned to the proposed Non-Convertible Debentures (NCD) of IKAT Exports Private Limited (IEPL) is constrained by the nascent stage of the operations of the entity with land acquisition for the company's first Residential project yet to be completed and the approvals still pending, resulting in elevated approval and project execution risk. The company is exposed to funding as well as market risks. Further, being a cyclical industry, real estate sector is highly dependent on macroeconomic factors, which render the company's sales vulnerable to any downturn in real-estate demand. IEPL also faces stiff competition within the region from various established developers, especially considering that the operations remain geographically concentrated in the Patia region.

Nevertheless, the rating factors in the long track record of the promoters in the Real Estate sector, and the favorable location of the proposed project, which is located in proximity to several operational IT parks, schools and hospitals and.

The Stable outlook on IEPL's rating reflects ICRA's opinion that the company will derive benefit from the long track record of promoters in the Real Estate sector.

Key rating drivers and their description

Credit strengths

Favorable location of the project – The proposed upcoming residential project is located in Patia, Bhubaneswar, in vicinity to several operational and upcoming IT office parks. The area has easy access to social infrastructure like schools, hospitals, etc which are located within 1-5 km of the project site. The favorable location is expected to support the demand prospects of the project.

Long track record of Promoters in Real estate sector- Promoters have an extensive experience in the Real estate sector and have been involved in execution of multiple housing projects since 1997

Credit challenges

Nascent stage of operations and exposure to project concentration risks-The company's first project is in initial stages with land acquisition yet to be completed and receipt of key regulatory approvals still pending, which exposes it to approvals, project execution as well as marketing risks.

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Exposure to funding risk-The company plans to fund the upcoming project through mix of proposed NCD, promoter contribution and customer advances. With the debt yet to be tied-up and the company plans to take promoter contribution of Rs 30.5 crore in the near-term, the project is exposed to funding risks.

Cyclical nature inherent in the real estate sector- Being a cyclical industry, real estate is highly dependent on macroeconomic factors, which render the company's sales vulnerable to any downturn in real-estate demand. IEPL also faces stiff competition within the region from various established developers, especially considering that the operations remain geographically concentrated in Bhubaneswar

Liquidity position: Stretched

As the operations are in nascent stage with land acquisition yet to be completed, IEPL's liquidity position is expected to be stretched in the near term. The company would remain dependent on getting the requisite funding and attaining adequate sales to enable project development and NCD repayments.

Rating sensitivities

Positive factors – Receipt of requisite approvals, attaining healthy sales and collections in the project, and the resultant improvement in cash flow visibility and cash flow adequacy ratio will be a positive trigger.

Negative factors – The rating may be downgraded if delays in project launch or weak sales results in inadequate visibility on future cashflows.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<u>Corporate Credit Rating Methodology</u> <u>Rating methodologies for real-estate entities</u>
Parent/group support	Not applicable
Consolidation/standalone	Standalone

About the company

IKAT Exports Private Limited is a Private company incorporated on 16 June 2004 which was promoted by Mr. Rajendra Gupta, Ms. Pragati Gupta and Mr. Rohit Raj Modi. Currently the Company is planning to develop a Residential project in Patia, Bhubaneswar in the area of 2.88-acre land with total saleable area of 5.48 lakh sq.ft.

Key financial indicators

IEPL Standalone	FY2021 (Audited)	FY2022 (Audited)
Operating income (Rs. crore)	0.1	0.1
PAT (Rs. crore)	0.0	0.0
OPBDIT/OI (%)	2.6%	2.7%
PAT/OI (%)	1.9%	2.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	3.1	2.7
Interest coverage (times)	-	-



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PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on November 30, 2022 (Rs. crore)	Date & Rating on December 28, 2022	FY2022	FY2021	FY2019
1 Proposed NCD	Long-term	17.50	-	[ICRA]B+ (Stable)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Proposed NCD	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Proposed NCD	-	-	-	17.50	[ICRA]B+ (Stable); Assigned

Source: IEPL and ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

