



Ref: ERL/SECRETARIAL/2022-23/4

4th April, 2022

To
The General Manager
Department of Corporate
Services
BSE Limited
Phiroze S Jeejeebhoy Towers,
Dalal Street, Mumbai-400001

The Secretary
**National Stock Exchange of
India Limited**
Exchange Plaza, Bandra Kurla
Complex,
Bandra (E), Mumbai-400051

The Secretary
**The Calcutta Stock Exchange
Limited**
7, Lyons Range
Kolkata-700001

Respected Ma'am/Sir,

Sub: UPGADATION OF CREDIT RATING OBTAINED FOR BANK'S LONG TERM FACILITIES

We are pleased to inform you that India Ratings and Research Private Limited (Ind-Ra) has assigned and upgraded Credit Rating of Emami Realty Limited's Long-Term Bank Facilities at "IND A-/Stable ('IND A-'; Outlook Stable)".

You are hereby requested to take on record the above update on Credit Rating.

A copy of the Rating report issued by Ind-Ra in this regard is attached herewith and can also be accessed on their website at the link given below:

<https://www.indiaratings.co.in/PressRelease?pressReleaseID=58013>

Please treat this as intimation in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you.
Yours faithfully,

For Emami Realty Limited



Payel Agarwal
Company Secretary
ACS 22418

India Ratings Assigns Emami Realty's Proposed Long-Term Loan and Long-Term Bank Facilities 'IND A-'; Outlook Stable

04

APR 2022

By [Pranav Nagar](#)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Emami Realty Limited's (ERL) instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Proposed long-term loan				INR1,000	IND A-/Stable	Assigned
Long-term bank facilities				INR1,400	IND A-/Stable	Assigned

Analytical Approach: Ind-Ra has taken a consolidated view of ERL and its subsidiaries while arriving at the rating. The ratings factor in ERL's strong parentage and its linkages with the Emami Group including the tangible support extended by the latter.

KEY RATING DRIVERS

Established Brand: ERL is part of Emami Group which has an established brand name in the fast-moving consumer goods sector. The Emami Group has an operating record of around four decades and diversified business interests in segments such as fast-moving consumer goods, paper, real estate, edible oil refining, and healthcare with a combined turnover of around INR200 billion in FY21 (FY20: INR190 billion). The group's flagship entity, Emami Limited has a market capitalisation of INR196 billion as of 28 March 2022

Strong Performance of Ongoing Projects: The company has three ongoing projects in its portfolio: Emami Nature in Jhansi, Emami Business Bay in Kolkata and Emami Aastha in Kolkata. The total saleable area of all the three projects is about 3.5 million sf of which 58% has already been sold. As on 28 February 2022, the total booking value received was INR3,622 million, of which INR974 million have already been collected. The committed receivables totalled

INR2,648 million. Ind-Ra estimates the value of the unsold area at INR4,933 million. The total receivables from sold and unsold area are about INR7,581 million. The agency estimates that the company has additional receivables of INR 1,898 from its completed projects. Ind-Ra believes that the company has sufficient net cash flows to take care of all project related obligations and the loans backed by shares of EL.

Reduction in ERL's Debt Levels: The company has strongly focused on deleveraging its debt levels. In FY21, total debt levels reduced by about INR8,000 million and was INR16,722 million in FYE21 (FYE20: INR 24,668 million). Further in first nine months of FY22, the company reduced total debt by Rs 180 million to INR 16,542 million. Of this gross external debt reduced by INR 2,109 million to INR4,043 million (FYE21: INR6,152 million). ERL had cash and cash equivalent of INR 643 million as on 31st December 2021.

Consolidated Operating Performance: In 9MFY22, its revenue increased almost 67% to INR1,528.3 million (FY21: INR1,864.5 million). The EBITDA improved to INR1,022.5 million in 9M FY22 (9MFY21: INR785.5 million; FY21: INR1,159 million).

Availability of substantial land bank with the group: The group has a substantial land bank available for future developments and/or monetisation. As of February 2022, the total land bank available with the company was about 1,706 acres. The company estimates the market value of these land banks to be about INR17,000 million. This provides additional support against the debt levels at the company.

Improvement in Group's Financial Flexibility after Asset Monetisation: The Emami Group's financial flexibility was enhanced, due to a reduction in the share of pledged holdings in the promoter's holdings of the flagship entity, Emami Ltd (EL) to 30.5% in 1QFY22 (November 2021: 31.4%; August 2020: 53%; June 2020: 90.5%). As a result, the value of the promoter holding more than doubled the debt raised against the pledge of shares and the contingent obligations of the holding companies in the form of corporate guarantees extended towards the bank facilities of the operating companies. While the loans against the pledge of shares increased to around INR15 billion in August 2021 (August 2020: INR9.5 billion) largely due to the operational fund requirements in the group, it remained significantly below the loan worth INR33 billion in June 2020. Notwithstanding the increase in loans, the cover on loans raised against the pledge by promoter entities improved to above 35x in November 2021 (August 2021: 9x), aided by a rise of in EL's share prices over the period.

The improvement followed the sale of the group's cement business to Nuvoco Vistas Corporation Limited (IND AA/Stable) in July 2020 as part of the management's strategy to pare debt at the group level. Of the total equity value of INR32 billion (including loans provided/secured by the group), INR27 billion was used for the payment of loans availed against the pledged shares held by the promoter entities. Ind-Ra understands from the management that there are no large investment plans and there will not be any major increase in the loans raised against the pledge of shares of EL from the current level. Furthermore, the group plans to monetise some of the other non-core assets (which might include real estate and healthcare) over the next six-to-18 months to reduce debt. Ind-Ra believes the fructification of these initiatives could further improve the group's financial flexibility.

Liquidity Indicator: Adequate: As on 28 February 2022, the company has debt repayment obligations of INR181 million and INR1,594.7 million for the last month of FY22 and for full fiscal FY23. Ind-Ra estimates the project cash flows of about INR3,700 million in FY23, which is sufficient to service debt obligations. Also, all the major debts have a sweep-in mechanism attached to them, which allows the company to repay its debt systematically along with collections made. The company's debt service coverage ratio (DSCR; net cash accruals from project to interest cost plus debt repayment obligations) was at 2.61x for the project levels debt and was at 1.28x (including debt of project Montana and Loan against shares). However, the company had a high debt to equity ratio of 4.64x at FYE21 (FY20: 5.0x; FY19: 11.05x), excluding related-party debt of INR 9,990 million. The debt to equity ratio improved over the past couple of years, as the company focused on deleveraging at project level debt. Ind-Ra believes the company has adequate cash flows to take care of debt service obligations.

Execution Risk: While the company has three on-going projects, Emami Nature is expected to be completed by FY23 and Emami Business Bay and Emami Aastha are likely to be completed by FY26. The company has incurred 81% of the cost on Emami Nature and 21% and 41% for Business Bay and Aastha, respectively. This exposes the company to the execution risk of projects, Emami Business Bay and Emami Aastha, as they are in the nascent stage of construction. However, the agency believes the company has an established track record of executing projects which offsets this risk

Macroeconomic Risks: The real estate sector is directly correlated to economic cycles. Any downturn in the economy can impact the sector. Raw material prices have already increased after the Russia-Ukraine war. This can lead to cost overruns and hamper the sector as a whole.

RATING SENSITIVITIES

Positive: An improvement in the standalone and/or group credit profile on a sustained basis could lead to a positive rating action

Negative: The following factors could individually or collectively lead to a negative rating action:

- weakening of the standalone credit profile
- weakening of the linkages with the group and/or a change in the group's support policy towards ERL
- a deterioration in the credit profile on a sustained basis of the group.

COMPANY PROFILE

ERL is a part of Kolkata-based Emami Group which has presence in diverse sectors including FMCG, edible oil, healthcare, pharmacy, real estate, paper, among others. The group has an operating track record of around four decades. ERL, the real estate arm of Emami Group, was incorporated in 2006 to undertake development of real estate projects in residential, commercial and retail sectors.

FINANCIAL SUMMARY

Particulars (INR million)	9MFY22	FY21	FY20
Revenue	1,528	1,864.6	10,408.7
Operating EBITDA	1,023	1,159	1,105
EBITDA margins (%)	66.91	62.16	10.62
Inventory	7,743	8,388	8,425
Total debt	16,542	16,722	24,668
Cash and cash equivalent	643	150	170
Net debt	15,899	16,572	24,498
Gross interest expenses	1231	2,527	3,711
Source: ERL, Ind-Ra			

BANK WISE FACILITIES DETAILS

[Click here to see the details](#)

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type

Complexity Indicator

Term loan

Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

[Corporate Rating Methodology](#)
[Short-Term Ratings Criteria for Non-Financial Corporates](#)
[Parent and Subsidiary Rating Linkage](#)

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