

Press Release

Maghalakshmi Plaza (MP)

13 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.50.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs.50.00 crore bank facilities of Maghalakshmi Plaza (MP). The outlook is '**Stable**'.

MP, established in 2009, is a Tamil Nadu-based partnership firm that sells branded readymade garments. The firm also runs a grocery store under multi-brand outlet (MBO).

List of key rating drivers and their detailed description

Strengths:

Experienced partners: The Partners, Mr. Ramesh K J, Mr. Prakash J, Mr. Venkatesh J and Mr. Kuber J, possess around a decades experience in the firm's line of business.

Moderate financial risk profile: The moderate financial risk profile is reflected in the revenue of Rs.89.43 crore with PAT of Rs.0.72 crore in FY2015-16 (Provisional) as compared to operating income of Rs.0.07 crore with net loss of Rs.1.34 crore a year earlier. The operating margin stood at 9.79 per cent in FY2015-16 (Provisional) as compared to 22.96 per cent in FY2014-15. The firm registered PAT margin of 0.81 per cent in FY2015-16 (Provisional). The gearing has been 1.90 times and the current ratio at 0.59 per cent.

Weaknesses:

Limited track of operation: The firm has limited track record of operations since the firm was incorporated in 2009 and operations commenced from FY2012-2013.

Competition from established players: The industry is fragmented and competitive with the presence of large number of organised and unorganised players.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profiles of MP.

Applicable Criteria

- Trading Entities: <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that MP will maintain a stable outlook over the medium term owing to the extensive industry experience of the promoters. The outlook may be revised to 'Positive' if the firm registers sustained growth in revenues while improving profitability and operating margins. Conversely, the outlook may be revised to 'Negative' in case of large debt funded capex.

About the Rated Entity

MP, established in 2009, is a Tamil Nadu-based partnership firm promoted by Mr. Ramesh K J, Mr. Prakash J, Mr. Venkatesh J and Mr. Kuber J. The firm sells branded readymade garments and also runs a grocery store under multi-brand outlet (MBO).

For FY2015-16 (Provisional), the firm reported profit after tax (PAT) of Rs.0.72 crore on operating income of Rs.0.07 crore as compared to loss of Rs.1.34 crore on operating income of Rs.0.07 crore a year earlier. The net worth of the firm stood at Rs.27.63 crore as on 31 March, 2016 (Provisional) (includes quasi equity of Rs.16.87 crore as on 31 March, 2016 provisional).

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan - I	LT	2.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan - II	LT	17.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan - III	LT	13.60	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan - IV	LT	6.40	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Stand by Overdraft	LT	10.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan – I	N.A	N.A	Mar-2017	2.50	SMERA BB-/Stable (Assigned)
Term Loan – II	N.A	N.A	Mar-2022	17.50	SMERA BB-/Stable (Assigned)
Term Loan – III	N.A	N.A	May-2022	13.60	SMERA BB-/Stable (Assigned)
Term Loan – IV	N.A	N.A	Not Available	6.40	SMERA BB-/Stable (Assigned)
Stand by Overdraft	N.A	N.A	N.A	10.00	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Shashank Shukla, Rating Analyst, Tel: 011-4973 1302 Email: shashank.shukla@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smerra.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smerra.in) for the latest information on any instrument rated by SMERA.