

## Press Release

### Maghalakshmi Plaza (MP)

13 February, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.50.00 Cr
<b>Long Term Rating</b>	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:**

<b>Name of the Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. Crore)</b>	<b>Ratings/ Outlook</b>
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>

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## ABOUT SMERA

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