

Press Release

Maghalakshmi Plazaaa

February 01, 2019



Rating Reaffirmed, Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 66.35 Cr. (Enhanced from Rs.50.00 crore)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (read as ACUITE double B minus) to the Rs.60.60 crore bank facilities of Maghalakshmi Plazaaa (MP). The outlook is '**Stable**'.

Also, Acuité has withdrawn the long term rating of '**ACUITE BB-**' (read as ACUITE double B minus) to the Rs.2.50 crore bank facilities of Maghalakshmi Plazaaa (MP).

Further, Acuité has assigned the long term rating of '**ACUITE BB-**' (read as ACUITE double B minus) to the Rs.5.75 crore bank facilities of Maghalakshmi Plazaaa (MP). The outlook is '**Stable**'.

Maghalakshmi Plazaaa (MP), incorporated as a partnership firm in 2009, runs its own shopping mall in Villupuram (Tamil Nadu). It has various business segments which include grocery, textile, restaurants, hotel, theatre and others. Mall is spread on an area of ~1 lakh sq. ft. owned by the firm. It is managed by its partners, Mr. Ramesh K J, Mr. Prakash J, Mr. Venkatesh J and Mr. Kuber J and their sons. Their family is engaged in retail business for the past 100 years. The firm also has godown at about 1.3 kms from the mall which is of the size of 7000 sq. ft. and is fully utilised.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the MP to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

MP commenced operations from 2013. The firm is promoted by its Managing Directors, Mr. Ramesh K J, Mr. Prakash J, Mr. Venkatesh J and Mr. Kuber J who possess experience of over three decades in retail industry. The extensive experience has enabled the firm forge healthy relationships with customers and suppliers. Acuité believes that MP will continue to benefit from its experienced management and established relationships with customers.

• Steady scale of operations

The firm has reported high revenue growth with compounded annual growth rate (CAGR) of around 45.00 percent through the last three years ended 31 March, 2018. The firm reported steady revenue growth of ~21 percent with operating income of Rs.161.25 crore in FY2018 as against Rs.133.04 crore in FY2017. The operating margins of the firm stood at 7.50 percent in FY2018 as against 7.76 percent in FY2017.

Weaknesses

• Moderate working capital operations

MP has moderate working capital operations marked by Gross Current Assets (GCA) of 79 days in FY2018 as against 87 days in FY2017. The firm maintains inventory of around 90 days on an average and extends clean credit of around 3 to 45 days to its customers, resulting in moderate GCA days. The inventory and debtor levels stood at 53 and 15 days in FY2018 as against 62 and 22 days in FY2017, respectively. This has led to higher reliance on working capital borrowings, the cash credit limit of the firm remains fully utilised during the last six months period ended December 2018.

- **Average financial risk profile**

The financial risk profile is average marked by moderate net worth and weak debt protection measures and high gearing. The net worth of the firm is moderate at Rs.19.40 crore as on 31 March, 2018 as against Rs.11.25 crore as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.47 times in FY2018 as against 1.48 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood stagnant at 0.05 times as on 31 March, 2017 and as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 0.96 times for FY2018 as against 1.03 times for FY2017. The gearing of the firm though improved stood high at 3.68 times as on March 31, 2018 as against 6.53 times as on 31 March, 2017. The total debt includes term loans of Rs.35.77 crore, unsecured loans from related parties of Rs.8.96 crore and working capital borrowing of Rs.26.72 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 4.42 times as on 31 March, 2018 as against 8.30 times as on 31 March, 2017. Debt/EBITDA stood high at 5.86 times for FY2018 as against 7.06 times for FY2017.

Liquidity Position

MP has moderate liquidity marked by marginal increase in net cash accruals. The firm generated cash accruals of Rs.3.90 crore during FY2018 as against Rs.3.36 crore during FY2017. However, the firm has reported loss at operating profit before tax (PBT) level of Rs.3.75 crore in FY2018 as against Rs.3.72 crore in FY2017. The firm has moderate working capital operations as marked by gross current asset (GCA) days of 79 in FY 2018. This has led to high reliance on working capital borrowings, the cash credit limit of the firm remains fully utilised during the last six months period ended December 2018. The firm maintains unencumbered cash and bank balances of Rs.2.51 crore as on March 31, 2018. The current ratio of the firm stood low at 0.76 times as on March 31, 2018. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term and rating will be sensitive based on the firm's ability to repay its debt.

Outlook: Stable

Acuité believes that MP will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in MP's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	161.25	133.04	76.62
EBITDA	Rs. Cr.	12.10	10.32	6.66
PAT	Rs. Cr.	(3.65)	(3.63)	(2.90)
EBITDA Margin	(%)	7.50	7.76	8.70
PAT Margin	(%)	(2.26)	(2.73)	(3.79)
ROCE	(%)	5.30	4.46	6.03
Total Debt/Tangible Net Worth	Times	3.68	6.53	18.28
PBDIT/Interest	Times	1.47	1.48	1.35
Total Debt/PBDIT	Times	5.86	7.06	9.65
Gross Current Assets (Days)	Days	79	87	94

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Apr-2018	Term Loan I	Long Term	2.50	ACUITE BB- (Indicative)
	Term Loan II	Long Term	17.50	ACUITE BB- (Indicative)
	Term Loan III	Long Term	13.60	ACUITE BB- (Indicative)
	Term Loan IV	Long Term	6.40	ACUITE BB- (Indicative)
	Secured Overdraft	Long Term	10.00	ACUITE BB- (Indicative)
13-Feb-2017	Term Loan I	Long Term	2.50	ACUITE BB-/Stable (Assigned)
	Term Loan II	Long Term	17.50	ACUITE BB-/Stable (Assigned)
	Term Loan III	Long Term	13.60	ACUITE BB-/Stable (Assigned)
	Term Loan IV	Long Term	6.40	ACUITE BB-/Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan I	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- (Withdrawn)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	17.60	ACUITE BB-/Stable (Reaffirmed)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	13.60	ACUITE BB-/Stable (Reaffirmed)
Term Loan IV	Not Applicable	Not Applicable	Not Applicable	6.40	ACUITE BB-/Stable (Reaffirmed)
Term Loan V	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE BB-/Stable (Assigned)
Term Loan VI	Not Applicable	Not Applicable	Not Applicable	4.60	ACUITE BB-/Stable (Assigned)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BB-/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Saurabh Rane Analyst - Rating Operations Tel: 02249294044 Saurabh.Rane@acuiteratings.in	

About Acuité Ratings & Research:

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