

Press Release

Maverick Holdings and Investments Private Limited

November 11, 2020



Rating Downgraded, Assigned and Withdrawn

Total Bank Facilities Rated*	Rs. 288.25 Cr.
Long Term Rating	ACUITE BB (Downgraded; Watch with developing implications)
Short Term Rating	ACUITE A4+ (Downgraded; Watch with developing implications)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB** (read as ACUITE double B) from '**ACUITE BBB-**' (read as ACUITE triple B minus) and the short-term rating to '**ACUITE A4+**' (read as ACUITE A four plus) from '**ACUITE A3**' (read as ACUITE A three) on the Rs. 122.35 crore bank facilities of Maverick Holdings and Investments Private Limited (MHIPL). The rating is now placed on 'Watch with developing implications'.

Further, Acuité has assigned the long-term rating of '**ACUITE BB** (read as ACUITE double B) and the short-term rating of '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs. 165.90 crore bank facilities of MHIPL. The rating is now placed on 'Watch with developing implications'.

Acuité has withdrawn the long-term rating of '**ACUITE BB** (read as ACUITE double B) and the short-term rating of '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs. 55.08 crore bank facilities of MHIPL.

Key Reason for Revision in Rating and Watch with Developing Implications

The downward revision in the rating reflects the ongoing challenges faced by Maverick Group (MG) in maintaining adequate liquidity buffers commensurate with its near term debt repayment obligations. The group's operations have been severely impacted on account of the ongoing Covid-19 crisis; this has led to a significant decline in the operational cash flows for the group in the current year. The rental income is expected to decline by ~52 percent in FY2021 compared to the previous year. However, the EPC operations of the group have mitigated it to some extent it has been inadequate to make up for a decline in rental income on account of Covid-19 lockdown. The group currently is engaging with various lenders for a one-time restructuring (OTR) of debt in line with the latest RBI framework on Covid-19 asset resolution. While arriving at the current rating action, Acuité has also relied on the dispensation provided by the regulators (Circular No.: SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 160).

MHIPL, incorporated in 1991, is a Bangalore-based company promoted by Mr. B.N. Garudachar and Mr. B.G. Uday. The company operates three shopping malls, namely, Garuda Mall, Garuda Swagath Mall and Garuda Yelahanka Mall in Bangalore. The company is also engaged as a civil contractor for redevelopment projects (mainly for the government).

Analytical Approach

For arriving at the rating, Acuité has considered the consolidated business and financial risk profile of MHIPL and Euroamer Garuda Resorts (India) Private Limited (EGRIPPL). EGRIPPL is a group company responsible for facility management of the malls. The two companies together referred to as the Maverick group (MG), have similar line of businesses, common promoters, and joint borrowings of LRD loan and fungible cash flows. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The Maverick Group (MG), incorporated in 1991, is part of the larger Garuda Group. The group is led by **Acuité Ratings & Research Limited** www.acuite.in

by Mr. B.N. Garudachar and Mr. B.G. Uday. The promoters have over three decades of experience in the industry. The group has developed almost 1000 acres of residential and commercial complexes. It owns and operates one of the most prestigious malls in Bangalore- Garuda Mall. Acuité believes that MHIPL will benefit from its established position in the infrastructural construction industry and experienced management.

- **Moderate financial risk profile**

The group has a moderate financial risk profile marked by healthy net worth of Rs. 181.32 crore as on 31 March 2020 (Provisional) as against Rs. 170.49 crore as on March 31, 2019. Gearing is moderate stood at 1.19 times as on 31 March 2020 (Provisional) as compared to 1.25 times as on 31 March 2019. This is due to no additional capital expenditure has been done in FY2020 (Provisional) and proper repayments of LRD Loan. The group has comfortable debt protection metrics with ICR stood at 1.80 times for FY2020 (Provisional). However, DSCR has declined to 0.94 times as on March 31, 2020 (Prov.) against 1.21 times in FY2019.

Weaknesses

- **Significant decline in rental incomes due to ongoing COVID-19 Pandemic**

MG has an established presence in Bangalore's real-estate segment with its two malls Garuda Magrath and Garuda Swagath. The group recently added a new shopping mall named Garuda Yelahanka Mall in May, 2019. The group's strategy is to develop malls in strategic locations and monetize these mall assets by discounting lease rentals from these malls. The proceeds of these LRD loans are used to support the EPC segments and real estate ventures in other group entities. Since these malls are the core source of cash flow for MG, the steady flow of rentals from these malls are critical to the credit profile of MG. However, due to the ongoing COVID-19 pandemic and the lockdown associated with it has significantly affected the rental incomes. Malls were completely shut down from March-June 2020 and have gradually opened after June. In spite of opening up malls have seen significantly lower footfalls compared to the previous year as the consumers are preferring to stay at home and shop online instead of venturing out. The key anchor clients include Inox Leisure Limited, Shopper's Stop, and Aditya Birla Fashion and Retail Limited, among others have also seen lower footfalls. Around ~52 percent decline in rental receipts is expected in FY2021 compared to the previous year. The number of tenants has declined by approximately 40 percent in Garuda Magrath Mall, which accounts for almost 80 percent of the rental income. Further, Acuité expects renegotiation of rental agreements with tenants will also have an adverse impact on the future cash inflows. The EPC segment has not been impacted as severely as the rental incomes. MG has orders in the hands of ~Rs. 798 crore as on September 2020. However, as the core sources of cash flows are the rental receipts, the EPC segment will not be able to adequately mitigate the declining business.

- **Exposure to group entities**

The Maverick Group's financial risk profile will be constrained by significant exposure to its associate companies. As on March 31, 2020 (Provisional), investments in associate concerns stood at Rs. 45.09 crore while loans and advances given by MHIPL and EGRIPPL to group companies stood at Rs. 125.74 crore and Rs. 19.54 crore respectively in FY2020 (Provisional). Acuité believes that the credit profile of MG will depend on its ability to curtail these exposures, especially in the event of a slowdown in cash flows from mall operations due to COVID-19 pandemic.

Liquidity Position: Poor

The net cash accruals for MG are expected to be negative in FY2021 against debt repayment obligation of ~Rs. 30 crore. The average bank limit utilization for the past six months ended October 2020 stands at ~98%. It has maintained unencumbered cash and bank balance Rs. 2.54 crore as on March 31, 2020 (Prov.) nature of operations. MG will have a poor liquidity profile on account of inadequate cash accruals against its debt repayment obligations and high bank limit utilization.

Rating Sensitivities

None

Outlook:

Not Applicable

About the Rated Group - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	111.17	119.31
PAT	Rs. Cr.	10.83	17.71
PAT Margin	(%)	9.74	14.84
Total Debt/Tangible Net Worth	Times	1.19	1.25
PBDIT/Interest	Times	1.80	1.91

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

None

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Aug-2019	Term Loan	Long Term	204.17	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- (Withdrawn)
	Cash Credit – I	Long Term	2.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit – II	Long Term	2.25	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	16.00	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	7.83	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	29.00	ACUITE A3 (Reaffirmed)
05-Jul-2018	Bank Guarantee	Short Term	27.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	226.15	ACUITE BBB- / Negative (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- / Negative (Reaffirmed)
05-Jul-2018	Cash Credit	Long Term	7.50	ACUITE BBB- / Negative (Reaffirmed)

	Proposed Long Term Loan	Long Term	0.10	ACUITE BBB- / Negative (Reaffirmed)
	Bank Guarantee	Short	30.25	ACUITE A3
08-Feb-2018		Term		(Reaffirmed)
	Term Loan	Long Term	226.15	ACUITE BBB-/ Stable (Ratings Under Watch)
	Cash Credit – I	Long Term	4.00	ACUITE BBB-/ Stable (Ratings Under Watch)
	Cash Credit – II	Long Term	7.50	ACUITE BBB-/ Stable (Ratings Under Watch)
	Proposed Long Term Loan	Long Term	0.10	ACUITE BBB-/ Stable (Ratings Under Watch)
26-Sep-2017	Bank Guarantee	Short Term	30.25	ACUITE A3 (Ratings Under Watch)
	Term Loan	Long Term	226.15	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.10	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	30.25	ACUITE A3 (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	March 30, 2017	Not Available	March 30, 2029	93.35	ACUITE BB (Downgraded; Watch with Developing implications)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB (Downgraded; Watch with Developing implications)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB (Assigned; Watch with Developing implication)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE BB (Assigned; Watch with Developing implication)
Term Loan	March 30, 2017	Not Available	March 30, 2029	56.53	ACUITE BB (Assigned; Watch with Developing implication)
Term Loan	March 30, 2017	Not Available	March 30, 2029	44.75	ACUITE BB (Assigned; Watch with Developing implication)
Cash Credit – II	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB (Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.83	ACUITE BB (Withdrawn)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A4+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE A4+ (Downgraded; Watch with Developing implication)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+ (Assigned; Watch with Developing implication)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.72	ACUITE A4+ (Assigned; Watch with Developing implication)

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About Acuité Ratings & Research:

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