

Press Release

Maverick Holdings and Investments Private Limited

August 18, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	251.68	ACUITE BB Stable Reaffirmed Remove from Rating Watch	-
Bank Ratings Loan	36.57	-	ACUITE A4+ Reaffirmed Remove from Rating Watch
Total Outstanding Quantum (Rs. Cr)	288.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB**' (read as **ACUITE BB**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on 288.25 Cr bank facilities of Maverick Holdings and Investments Private Limited (MHIPL). The outlook is '**Stable**'. The rating has been removed from 'Watch with developing implications'

Reason for rating reaffirmation and revision in outlook

The revision in outlook is on account of recovery witnessed in the business risk profile of the company during the current financial year after the outbreak of covid-19 which severely impacted the mall operation and EPC segment of the business. The rating continues to factor in the experienced management with long track record of operations and reputed clientele of the company. However, the above mentioned strengths are offset by the intensive nature of working capital operations, high gearing and stretched liquidity position. The rating is also constrained by the company's dependence of its EPC segment to maintain adequate liquidity buffers for servicing its debt repayment obligations.

About Company

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).

About the Group

The Maverick group is engaged in land development. MHIPL, established in 1991, operates three shopping malls (Garuda Magrath, Garuda Swagath and Garuda Yehalanka) in

Bengaluru, Karnataka. Maverick Holdings is also a class I EPC contractor and undertake only government projects includes Pradhan Mantri Awas Yojna (PMAY) and Bangalore Development Authorities projects (BDA). Euroamer Garuda Resorts (India) Private Limited (EGRIPL) is a group company responsible for facility management of Garuda mall

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of MHIPL and Euroamer Garuda Resorts (India) Private Limited (EGRIPL) to rate. EGRIPL 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 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.

Revenue and profitability

Maverick Group (MG) has recorded a healthy operating performance and has bounced back to its pre-covid levels with a Y-o-Y growth of 43% in its revenue. Revenue of the company stood at Rs. 110.78 Cr in FY2022 (Prov.) as against Rs.77.28 Cr. In FY2021. Such growth is driven by resumption of infrastructure activities and relaxation of lockdown restrictions in FY2022.

~65 percent of the revenue is contributed by the EPC segment of the business and ~35 percent is contributed by mall operations. While the EPC segment has seen a steady improvement, revenue from mall operations have seen a healthy recovery from Rs.19.82 Cr in FY2021 to Rs.30.05 Cr in FY2022 (Prov.). MG has ~ 4.81 lakhs sq. feet of leasable area and ~ 96 percent of the area is leased out to 73 tenants. Some of the anchor tenants include Shoppers stop, Marks and Spencer, Inox Leisure Ltd and Bath and body works. The company also has a construction segment where the company takes up construction of dwelling units for KSDDB (Karnataka Slum Development Board), BDA (Bangalore Development Authority) & Rajiv Gandhi Housing Corporation. As on July 2022, the company has an unexecuted projects of Rs.862.17 Cr to be executed over the next 3 years. In the 1QFY2023 the company has already executed Rs.21.20 Cr of projects.

EBITDA margins of the company improved from 20.57 in FY2021 to 22.61 percent in FY2022 (Prov.). PAT margins stood at 1.49 percent in FY2022 (Prov.) from losses after tax in the previous year.

Weaknesses

Average Financial Risk profile

Financial risk profile of Maverick group was average with moderate tangible network, high gearing levels and moderate debt protection metrics.

Tangible net worth of the company stood at Rs.105.1 Cr. as on 31st March 2022 as against 103.35 as on 31st March, 2021. Increase in tangible network is on the back of healthy

accretion to reserves. Acuite believes that the networth levels are expected to remain moderate over the medium term marked by moderate revenue growth.

The company has followed an aggressive financial policy reflected by its peak gearing levels of 2.25 times in FY2022 as against 2.16 times as on 31st March 2021 and 1.89 times as on 31st March, 2020. Acuite believes that the gearing of the company is expected to improve and remain in the range of 2.09-1.86 times on account of repayment of existing loans. TOL/TNW of the company stood at 3.57 times as on 31st March, 2022 and NCA/TD stood at 0.02 times as on 31st March 2022. Debt protection indicators are likely to remain comfortable in the near to medium term. Debt Service Coverage ratio (DSCR) is expected remain range bound between 1.27-1.32 times in the medium term and Interest coverage ratio (ICR) is expected to remain in the range of 1.79-2.67 times in the medium term.

Acuite believes that the financial risk profile of the company is likely to remain moderate over the medium term on account of healthy growth in scale of operations with moderate profitability and no major debt funded capex plan.

Intensive working capital operations

Working capital operations of the company are intensive marked by GCA days of 952 days in FY2022 (Prov.) as against 1,479 days in FY2021. Higher GCA days are driven by high inventory holding period. Inventory holding period of the company stood at 154 day in FY2021 as against 187 days in FY2022. Debtor collection period for Maverick group stood at 31 days in FY2022 as against 88 days in FY2022. Higher debtor collection period in FY2021 is on account of delayed rent payments received by the group. Working capital requirement of construction segment is funded through bank lines. Utilisation of the fund based limits stood high at 90% for 6 months ended May, 2022. Non-fund based limits almost remain fully utilised.

Acuite believes that the working capital operations of the company will remain intensive in the medium term and will continue to remain a key rating sensitivity.

Susceptibility to lessee' underperformance along with occupancy, and renewal risk, and performance of EPC segment of the business.

MHIPL's primarily generates cash flows from leave and license agreements with its tenants at the mall. The company's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals under the leave and license arrangement. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams, thereby affecting MHIPL's debt servicing ability. The renewals leasing at better terms, any significant renegotiations by the lessees can adversely impact the cash flows from the mall. Further, any significant increase in competition from any other large format mall in a competitive market like Bangalore may result in the company facing occupancy and renewal risks. The debt servicing ability of the company is also dependent on the performance of EPC segment of the business. Successful completion of projects with the company and timely receipt from the debtors will remain a key rating sensitivity.

Rating Sensitivities

- Significant improvement in scale of operations and profitability margins
- Stretch in the working capital cycle leading to stretched liquidity position
- Decline in occupancy level leading to cash flow mismatch.

Material Covenants

Financial Covenants to be met by the company

- a. TOL/ATNW <10x
- b. Total Debt/EBITDA <12x

- c. Current ratio >1x
- d. Average DSCR>1.2x

Liquidity: Stretched

Liquidity of the company is stretched on account of high utilization of the bank limits. Utilisation of the fund based limits stood high at 90% for 6 months ended May, 2022. Non-fund based limits almost remain fully utilised. However, the company is expected to generate sufficient surplus to service its debt obligation. The company is expected to generate surplus in the range of ~38-48 Cr in the near to medium term as against interest and principal obligations of Rs. 30-38 Cr

Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accruals with moderate repayments over the medium term.

Outlook: Stable

Acuité believes that MHIPL will maintain a 'Stable' outlook over the medium term from its Promoter's industry experience. The outlook may be revised to 'Positive' in case of the company generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its receivables leading to deterioration of its financial flexibility and liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	110.76	77.28
PAT	Rs. Cr.	1.65	(7.24)
PAT Margin	(%)	1.49	(9.36)
Total Debt/Tangible Net Worth	Times	2.25	2.16
PBDIT/Interest	Times	1.17	0.86

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

Crisil Ratings, vide its press release dated January 27, 2022 had denoted the rating to Maverick Holdings and Investment Pvt Ltd as 'CRISIL B+/Stable/A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Nov 2020	Term Loan	Long Term	93.35	ACUITE BB (Ratings Under Watch)
	Cash Credit	Long Term	2.00	ACUITE BB (Ratings Under Watch)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BB (Ratings Under Watch)
	Term Loan	Long Term	56.53	ACUITE BB (Ratings Under Watch)
	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Ratings Under Watch)
	Proposed Bank Facility	Long Term	7.83	ACUITE BB (Ratings Under Watch)
	Proposed Cash Credit	Long Term	16.00	ACUITE BB (Ratings Under Watch)
	Working Capital Demand Loan	Long Term	4.90	ACUITE BB (Ratings Under Watch)
	Bank Guarantee	Short Term	27.00	ACUITE A4+ (Ratings Under Watch)
	Bank Guarantee	Short Term	14.72	ACUITE A4+ (Ratings Under Watch)
	Term Loan	Long Term	44.75	ACUITE BB (Ratings Under Watch)
	Bank Guarantee	Short Term	29.00	ACUITE A4+ (Ratings Under Watch)
	Cash Credit	Long Term	2.25	ACUITE BB (Ratings Under Watch)
19 Aug 2019	Term Loan	Long Term	204.17	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	27.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	7.83	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.25	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	29.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	16.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
05 Jul 2018	Term Loan	Long Term	226.15	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Negative (Reaffirmed)
	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 Term	30.25	ACUITE A3 (Reaffirmed)
		Long		ACUITE BBB- Stable (Ratings

08 Feb 2018	Term Loan	Term	226.15	Under Watch)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Ratings Under Watch)
	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Ratings Under Watch)
	Proposed Long Term Loan	Long Term	0.10	ACUITE BBB- Stable (Ratings Under Watch)
	Bank Guarantee	Short Term	30.25	ACUITE A3 (Ratings Under Watch)
26 Sep 2017	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE A4+ Reaffirmed Remove from Rating Watch
The Jammu and Kashmir Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.57	ACUITE A4+ Reaffirmed Remove from Rating Watch
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB Stable Reaffirmed Remove from Rating Watch
HDFC Bank Ltd	Not Applicable	Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	8.18	ACUITE BB Stable Reaffirmed Remove from Rating Watch
Punjab National Bank	Not Applicable	Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	5.84	ACUITE BB Stable Reaffirmed Remove from Rating Watch
South Indian Bank	Not Applicable	Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	4.91	ACUITE BB Stable Reaffirmed Remove from Rating Watch
Karnataka Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB Stable Reaffirmed Remove from Rating Watch
Not Applicable	Not Applicable	Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	18.18	ACUITE BB Stable Reaffirmed Remove

		Bank Facility					from Rating Watch
Punjab National Bank	Not Applicable	Term Loan	31-03-2017	Not available	Not available	54.30	ACUITE BB Stable Reaffirmed Remove from Rating Watch
South Indian Bank	Not Applicable	Term Loan	31-03-2017	Not available	Not available	42.76	ACUITE BB Stable Reaffirmed Remove from Rating Watch
HDFC Bank Ltd	Not Applicable	Term Loan	31-03-2017	Not available	Not available	95.61	ACUITE BB Stable Reaffirmed Remove from Rating Watch
The Jammu and Kashmir Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	4.90	ACUITE BB Stable Reaffirmed Remove from Rating Watch

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