

Press Release
P and M and Hitech Infrastructures LLP

August 03, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.50 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed a long term rating of '**ACUITE B+**' (read as **ACUITE B Plus**) to the Rs.16.50 crore bank facilities of **P&M ad Hi Tech Infrastructures LLP**. The outlook is '**Stable**'.

P&M Infrastructures Limited was incorporated in the year 1981. The promoters of the company have set up and are successfully running a mall cum multiplex in the name and style of P&M Mall at Patliputra Industrial Area in Patna. P&M Group, under its real estate development division, focuses on conceptualizing, designing, creating and managing shopping malls-cum-multiplexes.

P&M and Hi Tech Infrastructures LLP was incorporated in 2010. The LLP is promoted by two established business houses viz, P&M Infrastructures Limited and Hitech Heritage Limited. It is engaged in hospitality vide, process of construction of shopping mall. The shopping mall construction was started in September 2017 and is expected to be completed by April 2019. The firm has v=been formed with specific objective of development of a mall-cum-multiplex in the name and style of P&M and Hi-Tech City Centre Mall at Bistupur, Jamshedpur. The project is being developed on 3.12 acres of prime land taken under development agreement from P&M Infrastructures Limited who have in turn acquired the land from TATA Group Company on 30-year lease.

Acuité has now consolidated business and financial risk profiles of P&M Infrastructures Limited and P&M and Hi Tech Infrastructures LLP, together referred to as the P&M Group (PG). The consolidation is in view of same management, common brand and financial synergies between the two entities.

Key Rating Drivers

Strengths

• **Experienced management**

P&M group has already set up a mall in Patna which has been operational since 2011 and also another mall in Jamshedpur, which has started its operations from September 2017. Further, the Group being Patna and Jamshedpur based, has a strong understanding about the local consumers which will the benefit the firm over the medium term.

• **Sound asset quality and locational advantage**

P&M Mall is one of the largest malls in Patna with 100 percent occupancy as on date. The property has a diverse mix of retail brands and includes tenants. The average footfall on weekends cross over 30000. The top 60 brands in terms of area occupied include Big Bazaar, Nakshatra, Titan, VIP, Bossini, Louis Philippe, Levis, Lee, Wills Lifestyle, Blackberry, Woodland, United Colors of Benetton, Gini & Jony, Catmoss, W, Biba, Meena Bazaar and many more. Moreover, with the presence of Cinopolis, having 1000 seats in its 4 auditoriums further attracts footfalls. Being located in Patliputra Industrial Area in Patna also provides locational advantage. P&M and Hi Tech Mall of Jamshedpur has a total leasable area of 180179 sq. ft. with an occupancy rate of 62%. The firm is already receiving at about Rs.0.12 crore/month as lease rentals from operational shops. Further, the mall is already operational from September,2017. The group has leased out this property to Big Bazar, Pantaloons, Westside, Tommy Hilfiger, Van Hueshan, Woodlands among others, are tenants. The leave and license agreement, apart from the rentals and charges for amenities, has factored in escalation clause of five to twelve per cent every year.

Weaknesses

- **Renewal risk associated with the ongoing leave and license agreements**
- The group faces renewal risks associated with the leave and license agreements. However, one of the mall is fully occupied hence draws comfort on June, 2018 with no major lease terminations as on date.
- **Low net cash accruals**
The group is having low net cash accruals of Rs.2.19 crores in FY2018 (Prov) as against current portion of long term debt (CPLTD) of Rs.9.21 crores for FY2017. Hence going forward sufficient cash accruals from business will be a key rating sensitivity.

Analytical Approach

Acuite has now consolidated business and financial risk profiles of P&M Infrastructures Limited and P&M and Hi Tech Infrastructures LLP, together referred to as the P&M Group (PG). The consolidation is in view of same management, common brand and financial synergies between the two entities.

Outlook: Stable

ACUITE believes that the group will maintain a stable outlook over the medium term owing to its experienced management and stable lease rentals from its marquee clientele. The outlook may be revised to 'Positive' in case the company generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' with deterioration in the financial profile on account of large debt-funded capital expenditure, higher than expected cash flow mismatches from mall operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Estimated)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.71	20.84	13.89
EBITDA	Rs. Cr.	4.79	5.88	4.56
PAT	Rs. Cr.	1.64	1.99	0.93
EBITDA Margin	(%)	34.94	28.20	32.81
PAT Margin	(%)	11.96	9.54	6.72
ROCE	(%)	2.84	3.82	5.36
Total Debt/Tangible Net Worth	Times	1.06	0.90	1.81
PBDIT/Interest	Times	2.25	2.09	2.00
Total Debt/PBDIT	Times	18.18	11.51	20.75
Gross Current Assets (Days)	Days	5280	2324	3021

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE B+/ 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	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE B+/ Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p> <p>Deep Majumder Analyst - Rating Operations Tel: 033-66201206 deep.majumder@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

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