

Press Release

Mysore Socials

July 02, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.8.00 crore bank facilities of Mysore Socials. The outlook is '**Stable**'.

Established in 2018, Mysore socials runs sports club under the name 'Mysore Socials' located in Mysore (Karnataka). The club has facilities for sports, kids' zone, gaming, health club, gym, restaurant, banquet hall, lifestyle and wellness.

Key Rating Drivers

Strengths

- **Locational advantage with a variety of sporting, gaming and other amenities**

The club is located in Mysore, which is the third most populous city in the State of Karnataka. The entity is also developing an IT hub in Mysore, which is close to Bangalore. The city has offices in all the major IT companies and the club is also in close proximity to major corporate campuses such as Infosys Limited and Larsen & Toubro Limited. The Promoter, Mr. Harsha Melanta has around five years of experience in restaurant business in Mysore.

- **Comfortable financial risk profile**

The financial risk profile is marked by moderate net worth, gearing and comfortable debt protection metrics. The club is set up at a project cost of Rs.15.86 crore funded at a debt-to-equity of about 1:1 from term loan of Rs.8.00 crore and balance out of promoter's funds of Rs.7.86 crore. The project commenced its commercial operations on January 10, 2018. As of March 31, 2018, the gearing is moderate at 1.09 times (Provisional) with net worth of Rs.7.32 crore. The debt protection metrics are expected to be moderate with interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) of 1.94 times and 0.11 times respectively for FY2019 (Projected). The cash accruals are expected in the range of Rs.0.83 crore to Rs.1.11 crore over the medium term which is expected to be just sufficient to meet the loan repayment obligations of about Rs.0.75 crore. Acuite believes that the financial risk profile is expected to be at similar levels over the medium term, as the company is not envisaging any major debt-funded capex over the medium term.

Weaknesses

- **Limited operational track record and small scale of operations**

The entity commenced commercial operations from January 2018 and registered operating income of Rs.0.25 crore during first three months of operations. Acuite believes that the scale of operations are gradually expected to increase to the range of Rs.3.00 crore to Rs.4.00 crore over the medium term; however, they are modest in the industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Mysore Socials to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on the rated facilities of Mysore Socials will remain 'Stable' over the medium term supported by the location advantage. The outlook may be revised to 'Positive' in case of better-than-expected improvement in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in liquidity owing to more-than-expected time taken for stabilisation of operations and revenues.

About the Rated Entity - Key Financials

Not applicable as the commercial operations have commenced in January 2018.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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 loans	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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