

Press Release
Metro Emporium LLP
 August 21, 2019
Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.40 cr bank facilities of METRO EMPORIUM LLP. The outlook is '**Stable**'.

Established in 2016, Metro Emporium LLP (MEL) is a partnership firm engaged in developing and leasing of commercial properties. Currently, the firm has rental income from a single property 'Metro Cinema' in Kolkata. The total leased area is ~44,634 square feet (sqft), which has been leased out to Future Lifestyle Fashions Limited (which operates under the brand "Central") and Inox Leisure Limited.

The firm is managed by four partners, Mr. Rajiv Gupta, Mr. Akshat Gupta, Mr. Vikram Gupta and Mr. Atul Rawat, having equal share of profit.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MEL to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced partners

The partners, Mr. Rajiv Gupta, Mr. Akshat Gupta, Mr. Vikram Gupta and Mr. Atul Rawat have two decades of experience in operating commercial properties and real estate. In addition to MEL, the partners have promoted Primezone Realty LLP, which owns and operates Metro Inox Cinemas in Mumbai. Acuité believes that vast experience of promoters and long track record of operations will benefit the firm in the long term.

• Steady revenue stream under lease arrangements with reputed clients

MEL has developed Metro retail cum entertainment centre in Kolkata. The total area is about 44,634 sqft leased out under a long term agreement with Future Lifestyle Fashions Limited and Inox Leisure Limited. From January 2019, MEL has started collecting monthly rental of Rs 0.98 crore, whereas rental income from Inox Leisure Limited is expected to start from September, 2019. Moreover, the lease agreement also includes price escalation clause every three years, thus factoring increase in operating costs during the lease tenure. Acuité believes that the lease agreement with Future Group (lock-in period of 5 years) and Inox Leisure Ltd (lock-in period of 15 years) will ensure stable revenue stream for the firm through lease rentals.

Weaknesses

• High lessee concentration risk

Given the single property nature of the leasing area, the lessee concentration for the firm remains high with only two tenants occupying total area and contributing to total rental income. However, the tenant concentration risk is mitigated to some extent on account of the lock-in period of 5 years for Future Group and of 15 years for Inox Leisure Ltd.

Liquidity Profile

MEL has adequate liquidity position marked by sufficient rental income to pay off its long-term debt obligations. The firm is expected to receive adequate rental income of Rs.12.78 crore to repay its long term debt obligations of Rs.3.97 crore in FY2020. The term debt obligations are structured to be paid out of rental income from an escrow account, through which rent receipts are routed as per the agreement with the bank. Moreover, maintenance of DSRA for a period of 3 months provides sufficient cushion towards debt servicing in case of any adverse scenario. DSCR is expected to be comfortable at 1.32

times in FY2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term owing to sufficient cash accruals through rental income.

Outlook: Stable

Acuité believes that MEL will maintain a 'Stable' outlook over the medium term on account of the steady revenue expected through lease rental and experienced management. The outlook may be revised to 'Positive' in case of sustenance of the improved operational performance resulting in higher than expected cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any debt funded capex or less-than-expected cash accruals leading to deterioration of its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	2.16	0.01	0.00
EBITDA	Rs. Cr.	1.72	(0.07)	(0.03)
PAT	Rs. Cr.	1.72	0.13	(0.03)
EBITDA Margin	(%)	79.83	(946.21)	7,569.04
PAT Margin	(%)	79.83	1,689.59	6,682.84
ROCE	(%)	5.55	0.72	(0.47)
Total Debt/Tangible Net Worth	Times	3.38	13.34	(23.27)
PBDIT/Interest	Times	12,369.46	-	(345.06)
Total Debt/PBDIT	Times	17.80	163.69	(443.99)
Gross Current Assets (Days)	Days	1,969	2,99,464	-

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.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. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB/Stable (Assigned)

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About Acuité Ratings & Research:

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