

Press Release

Metro Emporium LLP

November 02, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB+ (Downgraded and Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded and withdrawn the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to **ACUITE BB+**' (read as **ACUITE double B**) on the Rs.40.00 crore bank facilities of Metro Emporium LLP.

The downgrade is on account of subdued outlook on their anchor tenant, Future Lifestyle Fashions Limited and significantly affected cash flows in the form of lease rentals. The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal.

Established as a partnership firm in 2016, Metro Emporium LLP (MEL) is engaged in developing commercial properties based in Kolkata and leasing out. Currently, it owns and has redeveloped the 'Metro Cinema' property in the Esplanade area in central Kolkata. The said space has a total leasable area of ~54,797.71 square feet (sqft). The firm is managed by four partners sharing an equal share of profit. Currently, the firm has leased it out to Future Lifestyle Fashions Limited which operates under the brand Central and Inox Leisure Ltd.

It was formerly known as Flavien Properties Private Limited which was incorporated in 1953. The company was taken over by the Gupta family in 1980.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced partners and long track record of operations

The partners, Rajiv Gupta and Atul Rawat have around two decades of experience in operating commercial properties and real estate. They have promoted another partnership firm named Primezone Realty LLP and the entity successfully owns and operates Metro Inox Cinemas in Mumbai.

- Favourable location of the project

MEL has developed Metro retail cum entertainment centre in Esplanade area in central Kolkata. Acuite believes that the favourable location of the project has benefitted the firm in terms of healthy offtake by tenants.

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 the total area and contributing to total rental revenue. Further, the deterioration in the business risk profile of their anchor tenant, Future Lifestyle Fashions Limited could significantly impact the cash flows in the form of lease rentals.

Material Covenants

None

Rating Sensitivity

Not Applicable

Liquidity Profile: Adequate

The company has adequate liquidity position marked by adequate rental income to pay off its long-term debt obligations. The firm is expected to receive rental income of Rs.7.98 crore to repay its long term debt obligations of Rs.2.91 crore in FY2021. 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 at 1.18 times in FY2021.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	12.33	2.21
PAT	Rs. Cr.	6.98	(1.71)
PAT Margin	(%)	56.63	(77.56)
Total Debt/Tangible Net Worth	Times	2.71	5.44
PBDIT/Interest	Times	3.07	0.52

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities- <https://www.acuite.in/view-rating-criteria-63.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
21-Aug-2019	Overdraft	Long Term	25.00	ACUITE BBB/Stable (Assigned)
	Overdraft	Long Term	12.00	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Name of the Bank	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	Punjab National Bank	ACUITE BB+ (Downgraded and Withdrawn)
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	Punjab National Bank	ACUITE BB+ (Downgraded and Withdrawn)
Term Loan	July, 2019	11.80	Oct, 2023	3.00	Punjab National Bank	ACUITE BB+ (Downgraded and Withdrawn)

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About Acuite Ratings & Research:

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