

Press Release

Kasi City Park

October 29, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 20.00 crore bank facilities of KASI CITY PARK (KCP). The outlook is '**Stable**'.

Kasi City Park (KCP), a Chennai based proprietorship firm established in 2014 by Mr. Mathivathanan. The firm operates a mall cum multiplex which was commenced in July 2018. The mall is located in Jafferkhanpet, Ashok Nagar in Chennai with 15 shopping stores and four movie screens. Movie halls has a capacity of 917 seats which runs 16 shows in week days and 22 shows on weekends. Kasi City Park is occupied with a built-up are of 60 thousand sq. ft out of which around 50 per cent is already rented out of commercial and leisure spaces. All the movie screens are operated by the management on revenue sharing basis with a distributor.

Analytical Approach

Acuité has taken standalone view of business and financial risk profile of Kasi City Park to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

Founded by Mr. M.K. Mathivathanan who has more than five decades of experience in various industries like real estate, hospitality, media and entertainment among others. The proprietor also owns a theatre, Kasi Theatre running since 1984. Acuité believes that being an established player in the industry, brand name and promoter's experience would benefit the firm over the medium term.

- **Average financial risk profile**

KCP's financial risk profile is average marked by average net worth and moderate gearing and debt protection metrics. KCP's net worth stood at Rs.8.57 crore as on March 31, 2019 (Provisional).Total long term debt stood at Rs. 17.04 crore as on March 31, 2019 (Provisional). Gearing is moderate at 2.16 times as on March 31, 2019 (Provisional) and ICR stood at 1.78 times. TOL/TNW is moderately high at 2.81 times in FY2019 (Provisional). KSP reported cash accruals in the range of Rs.2.04 crore in FY2019 (Provisional) against Rs. 1.08 crore of repayment obligations. Further, the Total outside liabilities to Tangible Net Worth (TOL/TNW) ratio stood at 2.81 times as on 31 March, 2019 (Provisional).The net cash accruals to total debt (NCA/TD) stood at 0.11 times in FY2019 (Provisional). Acuité believes that with expected improvement in revenues and growth in profitability, the financial risk profile is expected to improve further over the medium term.

- **Strategic location resulting in stable revenue flows**

KCP is located in Jafferkhanpet, Ashok Nagar which is a prime location in Chennai resulting in high foot fall in the mall and higher occupancy of commercial complexes. The leave and license agreement, apart from the rentals and charges for amenities, has factored in escalation clause of ten per cent every year. KCP reported rent and amenities receipts of Rs. 3.72 crore in FY2019 (Provisional).

Weaknesses

- **Renewal risk of ongoing lease and license agreements**

In the event of non-renewal by existing lessee the future cash flows will be impacted thereby translating to weakening of debt protection indicators. Key clients contribute to more than 60% of the total lease rentals. In the event of either of the companies deciding to move out or seeking a renegotiation the rentals are likely to be impacted. However, this risk is mitigated at an extended considering its strategic location. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor.

- **Nascent Stage of Operations**

The firm's Operations began from July 2018. The firm operates in highly competitive and fragmented industry which limits its bargaining power. Acuité believes that the firm's ability to scale up operations will remain crucial to maintain a stable credit risk profile.

Key Rating Sensitivity Factors

- Timely renewal/leasing at similar or better terms than the existing agreements thus leading to improvement in revenues while improvement in profitability.
- Any stretch in liquidity on account of lower than expected net cash accruals.

Material Covenants

None

Liquidity Position

Liquidity of KCP is adequate marked by moderate cash accruals to its repayment obligations. KCP reported cash accruals in the range of Rs.2.04 crore in FY2019 (Provisional) against which there are repayment obligations of Rs. 1.08 crore. Going forward, firm is expected to generate RS.4.00-5.00 crore against Maturing obligations of 2.70 crore. Further, with the expected steady flow of lease income from operations of the mall as well as expected stable occupancy rates, the liquidity is expected to remain adequate over the medium term.

Outlook: Stable

Acuité believes that KCP will maintain 'Stable' business risk profile over the medium term on the back of the proprietor's extensive experience in the industry. The outlook may be revised to 'Positive' in case the firm generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues thus stretching the financial profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.28	-	-
EBITDA	Rs. Cr.	0.92	-	-
PAT	Rs. Cr.	(1.91)	-	-
EBITDA Margin	(%)	17.41	-	-
PAT Margin	(%)	(36.13)	-	-
ROCE	(%)	5.15	-	-
Total Debt/Tangible Net Worth	Times	2.16	-	-
PBDIT/Interest	Times	1.78	-	-
Total Debt/PBDIT	Times	1.78	-	-
Gross Current Assets (Days)	Days	100	-	-

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

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Entities in Service Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Term Loans	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB- / Stable (Assigned)

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About Acuité Ratings & Research:

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