

## Press Release

### Marvel Infrabuild Private Limited

December 04, 2019

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr
<b>Long Term Rating</b>	ACUITE B / Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned a long term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs 20.00 crore bank facilities of Marvel Infrabuild Private Limited (MIPL). The outlook is '**Stable**'.

Bangalore based Marvel Infrabuild Private Limited (MIPL) was incorporated in 2011 by Mr. Madhava R Badam, Mr. Prasad Chebrolu and Mrs. Padmaja Battula. It is engaged in construction of commercial and residential buildings in Bangalore. MIPL has completed residential projects namely Marvel Domicilia, Marvel Dream One, Marvel Uplands and Marvel Sequoia. The company has two ongoing projects namely Marvel Innovminds – a commercial complex and Marvel Elixia – a housing project.

#### Analytical Approach

Acuite has considered standalone business and financial risk profile of MIPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management:**

MIPL is promoted by Mr. Madhava R Badam, Mrs. Padmaja Battulia and Mr. Prasad Chebrolu who have a decades experience in real estate development and construction business. The company completed its first project, 'The Dream One' in 2010 in Hyderabad, since then the company has executed other three residential projects in Bangalore. MIPL's is currently constructing a commercial project 'Marvel Innovminds' which will be leased out to an USA based company, KOVORK LLC. The building is expected to have a total saleable area of 1,50,000 square feet spread across 15 acre of land.

Acuite believes that the management's established track record of successful and timely project execution and favourable project location will continue to support the business risk profile of MIPL.

##### Weaknesses

- **Project execution risk:**

The company is currently developing a commercial project 'Marvel Innovminds'. The project is its initial stages and only earthwork is completed while requisite approvals/NOC's from authorities is pending. The company expects to get approvals and commence construction by January 2020. Once the project is completed the company plans to lease the building to KOVORK LLC, however MIPL is yet to sign any memorandum of understanding with KOVORK LLC. The future cashflows from the project and debt servicing capability of the company will depend on the project execution and agreement with KOVORK LLC. Hence susceptible to execution risks.

The ability of the company to complete the project timely and generate steady cash flows will be key rating sensitivity factor.

**• Project funding risk:**

The total cost of the project is estimated to be ~Rs 75 crore, to be funded through bank borrowings of Rs 20.00 crore and promoter's funds of Rs 55.00 crore. The term loan of Rs 20.00 crore from the bank is yet to be sanctioned. The company MIPL so far has already incurred cost of Rs 5 crore as on September 30, 2019, which is 6-7% of the total project cost and the same has been funded through promoter's contribution. Hence, timely sanction of bank borrowings and infusion of funds by promoter is a key rating sensitivity factor.

**Rating Sensitivity**

- Receipt of governmental approvals
- Receipt of bank sanctions
- Timely execution of project

**Material Covenants**

None

**Liquidity Position: Stretched**

MIPL has stretched liquidity profile marked by moderate cash accrual. The company generated cash accrual of Rs 2-3 crore in FY2019 against debt obligations of Rs.15-18 crore. The company had unsold inventory and projects under construction with respect to other projects worth Rs. 45-48 crore as on March 31, 2019. The company maintains cash and bank balances of Rs. 1.34 crore as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term.

**Outlook: Stable**

Acuite believes that Marvel Infrabuild Private Limited will maintain a 'Stable' outlook over medium term on account of established track record in the real estate segment. The outlook may be revised to 'Positive' in case the company complete the project before time and higher than expected improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of delay in completion of project and lower than expected profitability and margins.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	49.38	50.47	-
EBITDA	Rs. Cr.	10.83	26.88	-
PAT	Rs. Cr.	1.88	1.61	0.06
EBITDA Margin	(%)	21.94	53.26	-
PAT Margin	(%)	3.81	3.19	-
ROCE	(%)	15.16	36.97	0.03
Total Debt/Tangible Net Worth	Times	2.70	3.99	4.04
PBDIT/Interest	Times	1.40	1.10	-
Total Debt/ PBDIT	Times	1.29	1.09	-
Gross Current Assets (Days)	Days	467	559	-

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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 Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE B / Stable (Assigned)

**Contacts**

Analytical	Rating Desk
Vinayak Nayak Vice President – Rating Operations Tel: 022-49294071 <a href="mailto:vinayak.nayak@acuite.in">vinayak.nayak@acuite.in</a>  Pravin Mule Analyst - Rating Operations Tel: 022-49294063 <a href="mailto:pravin.mule@acuite.in">pravin.mule@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-49294021 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.