

Press Release

MISQUITH ASSOCIATES

D-U-N-S® Number: 87-824-1326

December 05, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 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**) on the Rs. 12.00 crore bank facilities of MISQUITH ASSOCIATES (Misquith). The outlook is '**Stable**'.

M/S Misquith Associates (Misquith) is proprietary concern established in 2004 by Mr. Edward Misquith. It is located at Shirva, Udupi District (Karnataka). Misquith is engaged in developing residential as well as commercial projects in and around Udupi district and other parts of Karnataka.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced Promoter**

Misquith Associates is Udupi based real estate developer promoted by Mr. Edward Misquith who has been in the real estate industry for nearly two decades. Acuité believes that the experience of the promoter in real estate segment and established position will continue to support Misquith's business risk profile.

- **Low execution and funding risk**

Misquith has developed two residential cum commercial projects namely 'Elwyn Arcade and Elwyn Empora'. Both the projects are successfully completed and about 70 percent units sold as on 31 March 2019. 'Elwyn Arcade' has a total built-up area of about 67,000 square foot (sq. ft.). It is offering luxury apartments and commercial spaces comprising of 68 units of which 52 units residential space (mix of 2 and 3 bhk) and commercial space 28 units. The project cost is Rs.15 crore is to be funded through promoter's margin and advances from customers are Rs.8 crore, project term loan of Rs.7 crore. The project is completed in September 2018 and 60 percent of units are handed to customers till March, 2019 'Elwyn Empora' has a total built-up area of about 56760 square foot (sq. ft.). It is offering luxury apartments and commercial spaces comprising of 62 units of which 32 units residential space (mix of 2 and 3 bhk) and commercial space 30 units. The project cost is Rs.10 crore is to be funded through promoter's margin and advances from customers are Rs.5 crore, project term loan of Rs.5 crore. The project is completed in December 2017 and 70 percent of units are handed to customers till March, 2019. Acuité believes that an adequate fund in place and lower reliance on the customer advances and bank loans leaves a larger scope for financial flexibility and charging premium on commencement of sale of the space.

Weaknesses

- **Susceptibility to risks and cyclical in the real estate industry**

Real estate industry in which the company operates is loaded with large number of organised and unorganised players. Further real estate sector in India is cyclical because of sharp movements in prices and a highly fragmented market structure.

With increase in supply, attractive prices offered by various builders, and constant regulatory changes, profitability of real estate players is expected to come under pressure over the medium term.

Liquidity Position: Adequate

Liquidity is adequate, as reflected in good saleability and collections in the recently completed projects and generated adequate cash accruals to its repayment obligations. Misquith has taken the bank loan of Rs.7.00 crore for Elwyn Arcade and Rs.5.00 crore Elwyn Empora. Subsequently Misquith has fully repaid the term loan of Rs.5.00 and Rs.7.00 crore sanctions is O/s as on 30/09/2019 is Rs.2.85 crore thus providing adequate cushion. Also the company does not plan to take any new term loans near medium term which supports further liquidity position.

Rating Sensitivities

Scaling up of sales along with considerable improvement in the DSCR

Weakening of the financial risk profile due to higher-than-expected borrowing for future projects or land acquisition.

Outlook: Stable

Acuité believes that the outlook on Misquith will remain 'Stable' over the medium term on account of experienced promoter and established track record in the real estate industry and low funding and execution risks. The outlook may be revised to 'Positive' if there is a significant improvement in the collections, sustained improvement in the sales velocity without any decrease in realisations in both the projects. The outlook may be revised to 'Negative' if there is slippage in the collection efficiency, lower than expected sales.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)
Operating Income	Rs. Cr.	5.20	2.12
PAT	Rs. Cr.	0.30	0.29
PAT Margin	(%)	5.81	13.48
Total Debt/Tangible Net Worth	Times	8.14	21.35
PBDIT/Interest	Times	1.19	1.23

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

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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	7.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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