



Press Release
City Gold Entertainment Limited
December 01, 2023
Rating Upgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------|
| Bank Loan Ratings | 40.00 | ACUITE BBB- Stable Upgraded | - |
| Total Outstanding Quantum (Rs. Cr) | 40.00 | - | - |

Rating Rationale

Acuite has upgraded its the long-term rating to '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 40.00 crore bank facilities of City Gold Entertainment Limited (CGEL). The outlook is **Stable**.

Rationale for rating upgrade:

The rating upgradation considers improving in operating performance , healthy financial risk profile and liquidity of CGEL. The company's revenue improved to Rs.17.91Cr in FY23 from Rs.9.08Cr of previous year on account of recovery of operations in multiplex segment from covid restrictions. Further to this the company has already registered revenue of Rs.14.5Cr till September 2023 and expected to close the year in the range of Rs.25-28Cr. This growth is on account of improved occupancy in the multiplex segment and healthy cashflows from lease rentals. CGEL has leased out 60 percent area in the recently launched property 'CG Vastral' on a long term lease agreement to reputed companies providing additional revenue visibility for the long term.

Rating also draws comfort from the healthy financial risk profile and adequate liquidity position of the company. Going forward, the company's ability in sustaining the growth in multiplex occupancy will be a key monitorable.

About the Company

CGEL incorporated in the year 2000 in Gujarat, is the flagship company of City Gold Group, promoted by Mr. Chimanlal Agrawal and Mr. Sanjay Agrawal. The company is engaged in the business of entertainment, movie exhibition and leasing of space. Presently, Mr. Sanjay Agarwal, Mr. Dhananjay Sanjay Agrawal, Mr. Chimanlal Shah, Mr. Anil Gupta and Mr. Kalpesh Patel are the directors of the company. CGEL is operating a total of four multiplexes in and around Ahmedabad in areas like Ashram Road, Motera, Bopal and Kadi with total of 14 screens having seating capacity of around 2,800 seats.

About the Group

The group comprises of CGEL, Kailash Darshan Housing Development (Gujarat) Private Limited (KDPL) and City Gold Media Limited (CGML). KDPL operates a four screen multiplex namely 'City Gold' in a commercial complex located at Shyamal, Ahmedabad. The commercial complex is fully operational and entire area is leased out to four tenants. Apart from this, the company has three other leased out properties viz. a warehouse in Haryana, an industrial property at IMT Manesar and a newly acquired property at Noida, Uttar Pradesh.

CGML had acquired Nutan Mill compound at Bapunagar through High Court auction and constructed a multiplex with four screens and seating capacity of 419 seats.

Unsupported Rating
Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management with long track record of operations

CGEL was incorporated in the year 2000 and is the flagship company of Ahmedabad based 'City Gold' group, promoted by Mr. Chimanlal Agrawal and Mr. Sanjay Agrawal. Mr. Chimanlal Agrawal has an experience of over four decades in construction, real estate development and leasing of space and Mr. Sanjay Agrawal has around two decades of experience in the aforementioned industries. CGEL has been engaged in the business of film exhibition and leasing of space for over two decades through its property namely, "City Gold, Ashram Road" accommodating a five screen multiplex along with four other corporate tenants and has recently launched property by the name of "Citygold Vastral" accommodating another multiplex with 7 screens and space for leasing. Further, the company operates three other multiplexes located at Motera, Kadi and Bopal. The group generates its revenue from film exhibition, real estate development and leasing of space and has developed more than 25 projects spread over 42 lakh square feet of commercial and residential space in Ahmedabad region. Further, the company also operates a total of 5 multiplexes under the brand name 'City Gold' across Ahmedabad region with 21 screens and seating capacity of over 4000. Acuité believes that CGEL will continue to benefit from its established track record of operations and experienced management.

Improving operating performance:

Multiplex segment of the company has shown significant recovery post covid. The segment was highly impacted during FY21-22 on account covid induced restrictions. The company has registered revenue of Rs.17.91Cr during FY23 posting a growth rate of ~90 percent against Rs.9.08Cr of FY22. The growth is mainly on account of recovery of operation as government has eased all the restrictions post COVID-induced lockdown. Further to this, the company has already registered revenue of Rs.14.27Cr in H1FY24, growth in revenue is majorly contributed by improving occupancy in the multiplex and additional cash flow from newly launched 7 screen multiplex "CG Vastral".

The newly launched G+10 floors property at Vastral has multiplex with 7 screens and CGEL has leased out 60 percent of the area to reputed companies like Tata's- Westside, Reliance Smart, Trends, Footwear and Shivnetrak foods on a long term lease agreement for an average period of 16 years and is in plans for leasing out the remaining space by the end of FY24, providing long term revenue visibility. Acuite believes that, CGEL will post a healthy growth in its revenue over the medium term on account of healthy cash flows from rental and multiplex segment.

Healthy financial risk profile

Financial risk profile of CGEL is healthy marked by healthy network, moderate gearing and healthy debt protection metrics. The network of the company has improved to Rs.76.50 Cr as on 31 March, 2023 as against Rs.71.93 Cr as on 31 March, 2022 on account of moderate accretion to reserves. The gearing (debt-equity) is marginally deteriorated but stood healthy at 0.65 times as on 31 March, 2023 as against 0.55 times as on 31 March, 2022. The gearing of the company is however expected to improve and remain low over the medium term on account of absence of any debt funded capex plans in the medium term. The total debt of Rs.49.60 Cr as on 31 March, 2023 consists of long term bank borrowings of Rs.39.34 Cr,

Unsecured loans of Rs.7.03Cr and short term working capital of Rs.3.23 Cr.

The debt protection metrics of the company stood healthy with interest coverage ratio at 11.39 times and Debt Service Coverage Ratio (DSCR) stood at 2.38 times for FY23 as against 1.32 times in FY22. The Net Cash Accruals to Total debt stood at 0.13 times for FY2023. The Total outside liabilities to Tangible net worth stood at 0.75 times for FY23 as against 0.63 times for FY22. DSCR for FY2023 to FY2025 is expected to remain in the range of 2.4 times to 2.5 times. Acuité believes that the financial risk profile of CGEL will remain healthy in near to medium term due to its improving operating performance, low debt levels vis-à-vis healthy tangible net worth and healthy debt protection metrics.

Weaknesses

Renewal risk and customer concentration risk

Occurrence of events such as policy decision by key clients to shift their offices to other state or decisions regarding outsourcing, can impact their willingness to continue their lease agreement. However, this risk is mitigated to an extent, given the strategic location of CGEL's properties and its existing long term lease agreement with some of its tenants. In the event of non-renewal by existing lessee, the future cash flows will be impacted thereby translating to weakening of debt protection indicators. In the event of either of the companies deciding to move out or seeking a renegotiation, the rentals are likely to be impacted. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor.

Highly competitive and fragmented nature of industry

CGEL is exposed to lease renewal risk, i.e. while renewing the lease agreements, any significant renegotiations by the lessees can adversely impact the cash flows. Further, CGEL is exposed to intense competition in film exhibition industry which is fragmented in nature as at lower end there are single screen theatres while on top end there are chains such as PVR, Cinepolis, INOX and Carnival Cinemas, to name a few. Further, there arises a need of timely adoption of technology like facilities enabling 4D movies, etc. The industry is also exposed to regulatory risk which is likely to impact revenue model of the players such as CGEL, thereby impacting its operating capabilities.

Rating Sensitivities

- Timely renewal of lease agreement and leasing out of remaining space in newly launched property.
- Decline in occupancy levels of multiplexes leading to inadequate cash flows.

All Covenants

Not Applicable

Liquidity Position : Adequate

During the year FY2023, CGEL generated healthy cash inflows of Rs.12.51 Cr against its debt repayment obligations of Rs.7.06 Cr. Company is further expected to generate healthy cash inflows in the range of Rs.26 Cr to Rs.30 Cr for FY2024 to FY2027 backed by its healthy receivables from the multiplex segment and lease rental income. Cash inflows of CGEL during the period FY2024 to FY2027 are adequate to meet the existing and future debt repayment obligations in the range of Rs.7 Cr to Rs.7.10 Cr during the same period thereby indicating adequate liquidity position.

Outlook: Stable

Acuité believes that CGEL will maintain a 'Stable' outlook over the medium term on account

of experienced management and established track record of operations. The outlook may be revised to 'Positive' in case of the company generates higher than expected net cash accruals while maintaining the capital structure . Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its collections leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 17.91 | 9.08 |
| PAT | Rs. Cr. | 4.57 | 2.05 |
| PAT Margin | (%) | 25.50 | 22.56 |
| Total Debt/Tangible Net Worth | Times | 0.65 | 0.55 |
| PBDIT/Interest | Times | 11.39 | 5.20 |

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|--|
| 02 Sep 2022 | Term Loan | Long Term | 40.00 | ACUITE BB+ Stable (Reaffirmed) |
| 04 Jun 2021 | Term Loan | Long Term | 40.00 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| 27 Mar 2020 | Term Loan | Long Term | 40.00 | ACUITE BBB- Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|------------|------------------|---------------|---------------|------------------|-------------------|--|
| Kotak Mahindra Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 40.00 | ACUITE BBB- Stable Upgraded |

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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