



Press Release
City Gold Entertainment Limited
June 19, 2024
Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) on the Rs.40 Cr. bank facilities of Citygold Entertainment Limited (CGEL). The withdrawal is on account of the client's request and receipt of the NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument.

Rationale for rating reaffirmation

The rating reaffirmation considers the stable scale of operations, moderate financial risk profile, and liquidity of CGEL. The company's revenue improved to Rs.25.65 Cr. in FY24 (Estimated) from Rs.17.91 Cr. in previous year on account of the recovery in operations in the multiplex segment. This growth is on account of improved occupancy in the multiplex segment and healthy cashflows from lease rentals. CGEL has leased out 60 percent of the recently launched property 'CG Vastral' on a long-term lease agreement for reputed companies, providing additional revenue visibility for the long term. The rating also draws comfort from the moderate financial risk profile and liquidity position.

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 2000 and is the flagship company of the Ahmedabad-based 'City Gold' group, promoted by Mr. Chimanlal Agrawal and Mr. Sanjay Agrawal. Mr. Chimanlal Agrawal has over four decades of experience 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," which accommodates a five-screen multiplex along with four other corporate tenants. It has recently launched a property by the name of "Citygold Vastral," which accommodates another multiplex with seven 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 exhibitions, real estate development, and leasing of space. It has developed more than 25 projects spread over 42 lakh square feet of commercial and residential space in the Ahmedabad region. Further, the company also operates a total of 5 multiplexes under the brand name 'City Gold' across the Ahmedabad region, with 21 screens and a seating capacity of over 4000.

Improving Operating performance

The multiplex segment of the company has shown significant recovery post-COVID. The segment was highly impacted during FY21–22 on account of COVID-induced restrictions. However, after the offset of COVID-19 restrictions, the company's revenue has registered strong growth. Further, revenue growth in FY24 (Estimated) is contributed by additional revenue from the newly launched seven-screen multiplex "CG Vastral." The newly launched G+10-floor 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 to lease out the remaining space to reputed brands, providing long-term revenue visibility.

Healthy financial risk profile

The financial risk profile of CGEL is healthy, marked by a healthy net worth, moderate gearing, and healthy debt protection metrics. The net worth of the company has improved to Rs. 76.50 Cr. as of March 31, 2023, as against Rs. 71.93 Cr. as of March 31, 2022, on account of moderate accretion to reserves. The gearing (debt-equity) is marginally deteriorated but stood healthy at 0.65 times as of March 31, 2023, as against 0.55 times as of March 31, 2022. The gearing of the company is, however, expected to improve and remain low over the medium term on account of the absence of any debt-funded capex plans in the medium term. The total debt of Rs. 49.60 Cr. as of March 31, 2023, consists of long-term bank borrowings of Rs. 39.34 Cr, unsecured loans of Rs. 7.03 Cr, and a short-term working capital limit of Rs. 3.23 Cr. The debt protection metrics of the company stood healthy with an interest coverage ratio, and the DSCR stood at 11.39 times and 9.34 times for FY23, as opposed to 5.20 times and 4.50 times for 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.

Weaknesses

Renewal risk and customer concentration risk

The occurrence of events such as policy decisions by key clients to shift their offices to another state or decisions regarding outsourcing can impact their willingness to continue their lease agreement. However, this risk is mitigated to some 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 lessees, future cash flows will be impacted, thereby weakening 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 or 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 the film exhibition industry, which is fragmented in nature, as at the lower end there are single-screen theatres while on the top end there are chains such as PVR, Cinapolis, INOX, and Carnival Cinemas, to name a few. Further, there is a need for the timely adoption of technology, like facilities enabling 4D movies, etc. The industry is also exposed to regulatory risk, which is likely to impact the revenue models of players such as CGEL, thereby impacting its operating capabilities.

Rating Sensitivities

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. The 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.

Outlook: Not applicable

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>

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
01 Dec 2023	Term Loan	Long Term	40.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
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)

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 avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 May 2024	Simple	40.00	ACUITE BBB- Reaffirmed & Withdrawn

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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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