

Press Release

M P Associates

April 20, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 105.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.105.00 crore bank facilities of M P Associates (MPA). The outlook is '**Stable**.'

The rating assigned to M P Associates takes into account management's experience of over 3 decades, strategic location of Orion Mall occupied by reputed and well-known brands and improved operating performance. The strengths, however, are partly offset by average financial risk profile and susceptibility of tenant's underperformance and occupancy due to sharp impact of the pandemic.

Acuité has also taken into cognizance that the firm has invoked One-Time Restructuring Plan under the RBI Resolution Framework for Covid-19 related stress. Under the framework the firm would get moratorium of 1 year with cut-off date being December 31, 2020 and the interest portion during this period will get converted into FITL. The repayment of restructured quantum along with FITL would commence from January 2022. Going ahead, the restructuring is likely to have a positive impact on the financial risk profile and liquidity profile of MPA.

About the Company

MPA is a partnership firm established by Mr. Mangesh Parulekar and Mr. Dilip Karelia in 2005. The Panvel-based real estate firm has done two projects - Balaji Aangan and Orion Mall, both in Panvel. While Balaji Aangan, a residential project, was completed in 2014 and most of the units have been sold, construction of Orion Mall was completed in 2016 after which, the firm is looking after the entire operations of the mall.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of MPA to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management, strategic location of the mall occupied by reputed and well-known brands

Mr. Mangesh Parulekar, partner of the firm, has been in the real estate sector since last 3 decades. He has done around 18 projects so far in and around Panvel, most of which are in the residential segment. With strong knowledge of the locality of Panvel, Mr. Parulekar has good understanding of consumer sentiments, which is also enabling good growth of the firm. Under the leadership of Mr. Parulekar, MPA has witnessed strong footfall in the mall and turned profitable just within 3-4 years of opening of the mall.

The strategic location of Orion Mall, as it is one of the very few malls in and around Panvel, is also a key factor supporting the firm's growth. Currently, over 90per cent of Orion mall's total leasable area of around 2.50 lakh square feet has been occupied. The mall's tenant portfolio comprises reputed and well-known brands such as Reliance Retail, PVR, McDonoland's, Tanishq, etc.

Acuité believes that management's experience and strategic location of the mall would help good business recovery from Covid-19-led disruptions and would continue to support the firm's growth even going ahead.

• Improved operating performance

Despite being in construction and high discretionary segment, the firm has turned profitable just within

3 years of commercial operations of the mall. The firm's operating revenue rose by 11.74per cent in FY20 to Rs.26.48 crore. The firm also recorded net profit of Rs.5.37 crore in FY20 compared to Rs.6.17 crore of net losses in FY19. While the firm would witness sharp revenue decline of over 55per cent in FY21 due to Covid-19-led disruptions, factors like start of Covid-19 vaccination in the country would help good recovery in FY22 and FY23. Revenue of the firm is expected to grow at compounded annual growth rate of over 48per cent during FY22-FY23.

Weaknesses

• Average financial risk profile

While the financial risk profile of MPA has improved in FY20 as the firm turned profitable, it is still at an average level. The firm's net worth improved to Rs.36.22 crore as on March 31, 2020 from Rs.8.92 crore as on March 31, 2019.

Though higher net worth improved the firm's gearing level (debt to equity ratio) as on March 31, 2020, it still remained on a higher side due to additional debt. The firm's debt to equity ratio stood at 3.34 times as on March 31, 2020 vis-à-vis 13.52 times as on March 31, 2019. The firm availed additional debt of Rs.12.85 crore in FY20. The total debt as on March 31, 2020 stood at Rs.120.97 crore, comprising long-term debt of Rs.101.79 crore and unsecured loans from related parties of Rs.19.18 crore.

With improvement in profit positions, interest coverage ratio of the firm too improved to 1.79 times in FY20 from 1.28 times in FY19. DSCR continued to stand below unity in FY20.

While in the near term, the firm's financial risk profile is unlikely to improve from FY20 levels due to the sharp impact of the pandemic, debt restructuring under RBI's Covid-19 framework would offer support in the near to medium term.

• Susceptibility to tenant's underperformance and lower occupancy level due to uncertainty of Covid-19

Impact of Covid-19 on mall operations has been very sharp as the malls in Maharashtra were completely shut for more than 5 months till early September 2020 and demand for high discretionary segment remained subdued. Further, the state has again undergone second lockdown recently amid faster spread of second wave of Covid-19. Therefore, uncertainty of the pandemic would impact the pace of overall business recovery for MPA. The firm's inability to receive 100per cent minimum guaranteed rents, an upward revision in the rents as per expectations and to maintain higher occupancy level would impart negative bias on the rating.

Liquidity Position-Adequate

MPA has adequate liquidity. The firm generated cash accruals of Rs.8.02 crore for FY20, while its maturing debt obligations Rs.5.27 crore for the same period. The firm's current ratio stood comfortable at 4.82 times as on March 31, 2020. Sharp impact of Covid-19 on malls and retailers would keep liquidity position of the firm under pressure in the near term. However, debt restructuring under RBI's Covid-19 framework would support the liquidity position of the firm in the near to medium term. The cash accruals of the firm are estimated to be in the range of around Rs.5 crore to Rs.7 crore during FY22-FY23 period against Rs.1.91 crore to Rs.6.83 crore of repayment obligations during the same period.

Rating Sensitivities

- Slower than expected recovery in footfall led by uncertainty of the pandemic
- Deterioration in liquidity position

Outlook: Stable

Acuite believes MPA would maintain 'Stable' outlook led by experienced management, improved operating performance and improving consumer sentiment. The outlook may be revised to 'Positive' in case the firm reports faster than expected recovery in revenue and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of longer-than-expected time to recover from the impact of the pandemic.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	26.48	23.70
PAT	Rs. Cr.	5.37	(6.17)
PAT Margin	(%)	20.27	(26.02)

Total Debt/Tangible Net Worth	Times	3.34	13.52
PBDIT/Interest	Times	1.79	1.28

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

CRISIL vide its press release March 16, 2021 has mentioned M P Associates' rating as 'CRISIL BB+/Stable Issuer Not Cooperating;' rating withdrawn as on March 16, 2021.

Any other information

Not Applicable

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>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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	30-Dec-2016	8.65%	31-Dec-2028	74.00	ACUITE BB/Stable (Assigned)
Term Loan	09-Nov-2017	8.65%	30-Apr-2030	18.50	ACUITE BB/Stable (Assigned)
Term Loan	07-Aug-2019	8.65%	30-Sep-2031	12.50	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research:

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