Press Release

Mittal Dewellers Private Limited

April 22, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.00	ACUITE BB | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	54.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB (read as ACUITE double B)**' on Rs.54.0 Cr bank facilities of '**Mittal Dewellers Private Limited**'. The outlook is '**Stable**'.

The rating factors in successful completion of major portion of project with company reporting sale and lease tie-ups with reputed brands, locational advantage of the project and continuous funding support from promoters in the form of equity to meet debt obligation. The rating is, however underpinned by subdued operational and financial performance in FY21 due to COVID induced lockdown, resulting in restructuring of term loans, leveraged capital structure and moderate booking advances during 9MFY22.

About the Company

Mittal Dewellers Private Limited (MDPL) is an Ajmer (Rajasthan) based company and was incorporated in December, 1993 by Dr Shakuntala Mittal and Mr Sunil Kumar Mittal. The company was set up with an objective to carry out real estate business.
The company had undertaken the development of 'Mittal Mall' in Ajmer since May 2016 and is expected to be completed by December 2022. The proposed mall will have 13 floors comprising including 1 Service Floor and 3 basements floors for parking space. The shopping cum amusement mall is proposed on Prithviraj Marg, Imperial road, Ajmer.

Analytical Approach

The team has considered standalone business and financial risk profile of Mittal Dewellers Private Limited to arrive at rating.

Key Rating Drivers

Strengths

Successful completion of major portion of project along with sale and lease tie ups.
The company had commenced the development of project since 2016 and as on January 2022, has already incurred around 95% of cost, out of total estimated cost of Rs.139.85 crore. On construction front, the company has already completed structure work including installation of fire-fighting set up and lifts. Further, out of total saleable area of 2,43,932 sqft, the company has already sold/lease tied up for around 42% of total saleable area. MDPL has

also entered into lease agreement for area to the tune of 52,199 sqft with reputed clientele such as Reliance Smart, Reliance Trend, Shopper Stop and Food Quest. In addition to this, the company has also sold area of 1,03,900 sqft, including hotel and cinema hall area for aggregate consideration for Rs.58.0 crores, of which the company has received around Rs.30.0 crores as on date.

Acuite believes that the ability of the company to complete the mall in timely manner and lease tie up for the remaining area would be crucial from rating perspective.

Experience and resourceful promoters

The Directors of the company, Mr. Sunil Kumar Mittal, Mr. Dilip Mittal and Mr. Manoj Mittal have been associated with various ventures, such as Mittal Hospital, Mittal Pharmacy, Mittal Capitals Private Limited and Mittal Overseas Private Limited. The promoters, albeit have relatively less experience in real estate, have been infusing funds in the form of equity and unsecured loans in order to fund the project. The total amount infused by promoters (in the form of both equity & unsecured loans) as on March 31, 2021, remains at Rs.60.21 crores. Further, the promoters have also infused total amount of Rs.25.20 crores as unsecured loans during FY22 in order to support business operations.

Locational advantage of project

Mittal Mall is strategically located at the corner of Agra Gate Circle, Jaipur Road on P R Marg, the zero milestone of Ajmer. Prominent places of Ajmer like Dargah Sharif, Soniji Ki Nasia, Baradari at Ana Sagar Lake, Bajrang Garh, Circuit House, Subhash Udhyan, Railway Station and Bus Stand are situated within a radius of less than 2 Kms. Mall is also well-connected to major traditional markets like Naya Bazar, Madar Gate, Purani Mandi, Choori Bazar, Agra Gate, Dargah Bazar, Nala Bazar, Kutchery Road, Station Road, Swami Complex area, etc. These traditional markets face extensive vehicular congestion and persistent parking hassles which makes exploring these and nearby places a real tough task. Whereas Mittal Mall offers all consumer shopping and entertainment options under one roof with complete ease of parking.

Acuite believes that development of mall along with all amenities is expected to attract consumers for shopping and stay.

Weaknesses

Subdued operational and financial performance in FY21

The smooth operations of the company were impacted by COVID induced lockdown. The company had sold 1,10, 508 sqft of area and had sold receivables of Rs.77.07 crores. The company had disbursed term loan to the tune of Rs.56.21 crores, out of sanctioned term loan of Rs.60.0 crores. The same was sufficient to meet debt obligations as per terms of sanction and the repayment was supposed to commence from June 2020. On the onset of COVID-19, many bookings were cancelled and amount had to be refunded. This also impacted cash flow streams of the company.

Hence, the company did not report any operating income during FY21 as against Rs.0.40 crores in FY20. The operating profit, however increased to Rs.11.44 crores in FY21 as against Rs.5.44 crores in FY20, on account of change in inventory. The net profit declined to Rs.0.02 crores in FY21 as against Rs.0.16 crores in FY20, on account of increase in interest charge.

Moderate advance booking in FY22

The company has reported booking advance of Rs. 6.73 crores in FY22, albeit the overall operational performance has improved in FY22. The company, however still remains relies on promoter's fund to support the debt obligation as lease rentals are expected to commence from Q3/Q4FY23.

Acuite believes that the ability of the company to generate sustainable cash flows to support its debt obligation would be a critical aspect.

Leveraged financial risk profile

The capital structure as represented by debt-equity ratio remains at leveraged level at 3.34 times as on March 31, 2021 as against 3.53 times as on March 31, 2020. The marginal improvement is mainly on account of repayment of term loans. Further, the interest coverage ratio continues to remain at around 1.0 times during FY19-21. The total outstanding liability to tangible net worth remained between 3.08-5.32 times during FY19-21. The debt-EBITDA remains at higher level on account of lower operating profit against total debt.

Acuite believes with repayment of term loans and absence of any additional loan, the financial risk profile is expected to improve.

ESG Factors Relevant for Rating
Not Applicable

Rating Sensitivities
>The ability of the company to complete the remaining project on timely basis.
>The ability of the company to tie up lease for remaining portion
>Any delay in completion of entire project resulting in cost and time overrun and delay in inflow of lease rentals.

Material covenants
None

Liquidity Position: Adequate
The liquidity profile of the company is adequately supported by continuous support from promoters in the form of infusion of unsecured loans. The promoters have further infused unsecured loans of around Rs. 25.20 crores during FY22 in order to support the operations and debt obligation. Albeit, the company reported booking advance of Rs.6.73 crore, the same continues to remain at lower level against the debt obligation of Rs.21.11 crores during FY22. The company has also maintained cash and bank balance of Rs.0.21 crores as on March 31, 2021. The current ratio continues to remain at 2.48 times as on March 31, 2021.
Acuite believes that funding support from promoters to meet the debt obligation still stabilization of operations and receipt of lease rentals would be a key rating sensitivity.

Outlook: Stable
Acuité believes that the outlook on MDPL will remain 'Stable' over the medium term on account of growing satisfactory completion of major portion of project and lease rental. The outlook may be revised to 'Positive' in case of significant increase in lease rental than envisaged, long term lease contract with reputed clientele. Conversely, the outlook may be revised to 'Negative' in case of any decline in inflow of lease rentals.

Other Factors affecting Rating
Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	0.00	0.40
PAT	Rs. Cr.	0.01	0.12
PAT Margin	(%)	0.00	29.94
Total Debt/Tangible Net Worth	Times	3.34	3.53
PBDIT/Interest	Times	1.00	1.03

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-52.htm
• Application Of 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:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	8.51	ACUITE BB | Stable | Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	28.11	ACUITE BB | Stable | Assigned
IFCI Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	11.58	ACUITE BB | Stable | Assigned
IFCI Venture Capital Fund Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	5.80	ACUITE BB | Stable | Assigned

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About Acuité Ratings & Research

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