



Press Release

Femina Shopping Mall Private Limited

May 20, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Ratings Action
1	Long Term Bank Facilities	19.80 (enhanced from 18.00)	IVR BB /Stable (IVR Double B with Stable Outlook)	Reaffirmed
	Total	19.80 (Rupee Nineteen Crore and Eighty Lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Femina Shopping Mall Private Limited (FSMPL) continues to derive comfort from extensive experience of its promoters in retail trading business and favourable location of its supermarket branches in Trichy. However, these rating strengths remain constrained due to its, stagnant scale of operations, low margin business with pricing constraints and non-existence of bargaining power. The ratings also consider its leveraged capital structure, moderate debt protection metrics and stretched liquidity position due to debt funded capex.

Key Rating Sensitivities

Upward Factors:

- Substantial and sustained growth in operating income, operating margin and cash accrual leading to improvement in debt protection metrics
- Improvement in liquidity position with efficient working capital management and utilisation of working capital bank borrowings to remain below 90% on a sustained basis
- Improvement in capital structure with reduction in overall gearing ratio to below 2x

Downward Factors:

- Moderation in operating income and cash accrual impacting the debt protection metrics on a sustained basis



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- Deterioration in working capital management impacting the liquidity or sizeable capital expenditure weakens the financial risk profile
- Any delay or lower than envisaged rental income leading to financial stress
- Deterioration in capital structure leading to overall gearing to over 3x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoter**

The promoter has more than two decades of experience in the retail trading business resulting established association with customers and suppliers.

- **Favourable location**

FSM's branches are favourably located across Trichy catering to the daily needs of grocery, food, non-food and other household items.

Key Rating Weakness:

- **Stagnant scale of operations**

The total operating income has remained stagnant between Rs. 83-89 crore over the past three years during FY18-20. Though the scale is expected to improve on account of the incremental sales from new shopping mall, it will continue to remain modest over the medium term. During FY20 (provisional), the company has achieved a total operating income of ~Rs.85 crore.

- **Thin profit margin**

The company's profit margin remains thin due to low value-added trading nature of business. The EBIDTA margin of the company remained thin in the range of 2.20%-2.65% over FY17-FY19 and the PAT margin remained below unity during the aforesaid period.

- **Leveraged capital structure**

FSM's capital structure is leveraged, marked by overall gearing ratio of 2.37x as on March 31, 2020 (provisional), owing to its low net worth base. During FY20, the company had incurred sizeable capex towards purchase of shopping mall which was largely funded through debt. However, conversion of unsecured loans from promoter of Rs.3.00 crore into equity provided support to FSM's capital structure to some extent.



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- **Moderation in credit metrics due to debt funded capex**

Interest coverage and DSCR remained comfortable over past three years, however it is likely to moderate due to increase in interest and repayment obligations owing to large debt funded capex. Going forward the company's ability to service debt commitments will be largely dependent on rental income due to insufficient cash accruals from its operating business. Moreover, as per provisional figures, Total debt to GCA (in years) remains high at 19.06x as on March 31, 2020 due to its low cash accruals and leveraged capital structure.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Stretched

The company's liquidity position remains stretched as reflected by average utilisation of its working capital limit of above 90 per cent over the past six months ended March 2020 and significant repayment obligations in the near to medium term as against tightly matched accruals.

About the Company

Femina Shopping Mall Private Limited (FSMPL) was incorporated in the year 1999. The company operates supermarkets/shopping malls in Trichy and primarily engaged in retailing of groceries, food, non-food and other household items.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	83.20	84.02
EBITDA	1.83	2.11
PAT	0.22	0.44
Total Debt	17.50	16.47
Tangible Net worth	6.62	7.03
EBITDA Margin (%)	2.20	2.51
PAT Margin (%)	0.27	0.52
Overall Gearing Ratio (x)	2.65	2.34

**Classification as per Infomerics' standards.*



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Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	19.80	IVR BB/ Stable Outlook	IVR BB/ Stable Outlook (May 13,2020)		-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Long Term Bank Facilities - Term Loan	-	-	October 2029	19.80	IVR BB/ Stable Outlook
Total				19.80	