



Press Release

Maghalakshmi Plaazaa

May 06, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Bank Facilities	50.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
	Total	50.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Maghalaskhmi Plaazaa (MLP) draws comfort from its experienced partners, locational advantage and stable operations with steady growth in revenue over the years. However, these rating strengths are partially offset by its weak financial risk profile marked by thin margin, leveraged capital structure and weak debt protection metrics. The rating also considers its stressed liquidity and growth in e-commerce industry negatively impacting the firm's growth. Further, Infomerics also notes risk associated with partnership nature of its constitution and instances of capital withdrawal.

Key Rating Sensitivities:

Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Improvement in the capital structure and debt protection metrics
- Improvement in liquidity with improvement in average cash credit utilisation on a sustained basis

Downward factor:

- Dip in operating income and/or profitability impacting the debt protection metrics
- Delay in receipt of lease rentals.
- Moderation in the capital structure and debt protection metrics and further stress in liquidity

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

Experience partners

Its partners, Mr. Ramesh K J, Mr. Prakash J, Mr. Venkatesh J and Mr. Kuber J has about three decades of experience in retail business, manage MLP. Further, the partner's family is engaged in retail business for the past 100 years and also well versed with the real estate market in Tamil Nadu. Long standing presence of the partners in the industry supports the financial risk profile of the firm.

Locational advantage

The shopping Mall "Maghalakshmi Plaazaa" is located at Villupuram- the largest district In Tamil Nadu and centre place in the city. MLP is the segment shopping centre in the nearby vicinity, offering a lively mix of shopping, food and entertainment brands. The mall is expected to generate good number of foot fall owing to its prime location and new showroom openings.

Stable operations with steady growth in revenue over the years

MLP recorded a sustained growth in the total operating income at a CAGR of ~12% during FY17-FY19 with a y-o-y growth of ~15% in FY19. The growth is mainly driven by increase in sale from grocery, hyper market sector and cinema hall as there was increase in footfall with opening of new showrooms. Further, from the shopping mall, the firm has assured lease rental revenue of ~Rs.0.30 crore. During 10MFY20, the firm recorded sales of ~Rs.163 crore with PBT of Rs.1.40 crore.

Key Rating Weaknesses

Risks associated with partnership constitution

Given MLP's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners. Further, there are instances of capital withdrawn in FY19.



Press Release

Weak financial risk profile marked by thin margin, leveraged capital structure and weak debt protection metrics

The capital structure of the firm remained leveraged marked by its long-term debt equity ratio at 1.38x and overall gearing ratio at 2.46x respectively as on March 31, 2019. Further, the total indebtedness as reflected by TOL/TNW remained high at 6.05x as on March 31, 2019, which moderated from 3.95x as on March 31, 2018 due to instances of capital withdrawn by the partners and stretch in creditors. To arrive at the net worth, Infomerics has considered unsecured loans arranged by the partners to support the business operations amounting to Rs.11.71 crore (outstanding as on March 31, 2019) (Rs. 8.96 crore outstanding as on March 31, 2018) as quasi equity. Notwithstanding the growth in operations, the operating margin of the firm stood moderate in the range of 5-6% during FY17-FY19. Further, due to high depreciation and capital charges, the firm incurred net loss in the past three fiscals though there was no cash loss and the firm witnessed growth in its gross cash accruals. MLP has earned higher cash accrual of Rs.6.29 crore in FY19 as compared to Rs.3.90 crore in FY18. However, the debt protection metrics of the firm remained weak marked by moderate interest Coverage Ratio (ICR) at 1.47x in FY19 (1.02x in FY18) and high Total debt to GCA at 8.12 years in FY19.

Stressed liquidity

The liquidity profile of the firm remained weak marked by its weak profitability and high finance charges attributable to its leveraged capital structure and below unity current ratio. Further, liquidity is marked by MLP's tightly matched accruals to repayment obligations and highly utilized bank limits with average cash credit utilisation at ~96% during the past 12 months ended January,2020.

Growth in e-commerce industry impacting the growth

Though, India remains an underdeveloped retail ecommerce market, with digital commerce accounting for only a small piece of the country's total retail sales. Given the growth of e-commerce in India, retailers are feeling the heat. Heavy discounts on the online platforms affects the margins of the retail outlets of malls, unless shopping centres have positioned themselves as entertainment hubs and hangout zones.



Press Release

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Stretched

The liquidity profile of the firm remained weak marked by its weak profitability and high finance charges attributable to its leveraged capital structure and below unity current ratio. Further, liquidity is marked by MLP’s tightly matched accruals to repayment obligations and highly utilized bank limits with average cash credit utilisation at ~96% during the past 12 months ended January,2020.

About the Firm

Mr. Ramesh K J, Mr. Prakash J, Mr. Venkatesh J and Mr. Kuber J and their sons, established Maghalakshmi Plaazaa (MLP) in 2009 as a partnership firm. The firm commenced its operations in November 2013 with a shopping mall, “Maghalakshmi Plaazaa” located in Villupuram (Tamil Nadu). The mall is spread over 1,41,000 Square feet of area and has various business segments mainly owned by the firm which include grocery (Greens Hypermarket), textile showrooms, restaurants, hotel (Grand Kubera), cinema (multiplex) hall (Janas cinemas), parking and others. Beside owned establishments, some of the space is rented and the firm earn steady lease rentals from the same. The firm also has a godown at about 1.5 kms from the mall, which is of the size of 5000 sq. ft. used to store inventory for Grocery.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	157.61	182.42
EBITDA	8.46	10.55
PAT	-3.65	-0.80
Total Debt	62.49	51.05
Tangible Net worth	19.40	11.91
EBITDA Margin (%)	5.37	5.78



Press Release

PAT Margin (%)	-2.26	-0.43
Overall Gearing Ratio (x)	2.37	2.46

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Issuer not cooperating by Acuite vide press release dated April 21, 2020 due to non-availability of information.

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 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	18.29	IVR BB /Stable	-	-	-
2.	Secured Over Draft	Long Term	30.00	IVR BB /Stable	-	-	-
3.	Proposed Limit	Long Term	1.71	IVR BB /Stable			

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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly	Name: Mr. Avik Podder
Tel: (011) 24611910	Tel: (033) 46022266
Email: sjetly@infomerics.com	Email: apodder@infomerics.com

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.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	March 2023	18.29	IVR BB/Stable
Long Term Bank Facilities – Secured OverDraft	-	-	-	30.00	IVR BB/Stable
Long Term Bank Facility-Proposed	-	-	-	1.71	IVR BB/Stable