

Press Release**MMG Holdings Private Limited****April 16, 2019****Rating**

Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
Long Term Bank Facilities - Term Loan	15.04	IVR BBB- (SO) [IVR BBB minus (Structured Obligation)]
Total	15.04	

Details of Facilities are in Annexure I**Detailed Rationale**

The aforesaid rating assigned to MMG Holdings Private Limited derives comfort from experienced promoters with established track record in business, reputed clientele, favourable location of commercial property, ESCROW and Debt Service Reserve Account (DSRA) mechanism in place for repayment of debt, high profitability margins, escrow mechanism & DSRA, comfortable gearing and moderate debt coverage indicators. However, the rating is constrained by customer concentration risk and modest scale of operation. Timely receipt of lease rentals, continuity of occupancy at the envisaged lease rates and timely renewal of lease in the future are the key rating sensitivities.

List of Key Rating Drivers with detailed description**Experienced promoters with established track record in business**

MMG Holdings Private Limited was incorporate in 2004 in Chennai. The company is promoted by Mr. M.M Gupta and is part of Gupta group of companies. The promoters has more than 3 decades of experience in processing of human hair and exporting of human hair and hair product and real estate.

Reputed client in favourable location of commercial property

The property of the company is located at Triplicane Village, Madhavaram Village and Alamathi Village of Tamil Nadu. These areas are developed ones; hence the property is expected to generate good amount of rental income. Around 92% of the area on rent is occupied by reputed tenants like Samsung and Panasonic. Samsung is a tenant since

last 10 years. The last warehouse has been constructed by the company in March 2018 which has been occupied by Panasonic since July 2018.

High Profitability Margins

The EBIDTA margins is high in the range of 85%-90%. The main expenses for the company is interest cost. Post considering this expense also the PBT margin is high in the range of 40%-45%.

Escrow Mechanism & DSRA

The entire rent receivables are escrowed to lenders besides two months rent are also held as deposit under DSRA to ensure timely repayment. The tenant are depositing the advance monthly rent to the designated account of the company as per loan covenant.

Comfortable gearing and Moderate debt coverage indicators

The company has overall gearing of 0.69x with moderate debt coverage indicators TOL/TNW of 0.72x and interest coverage of 2.90x in FY18.

Key Weaknesses:

Customer concentration risk

There is customer concentration risk, given that there are only three lesses contributing to the total revenue. However, the fact that client are reputed and major client (Samsung) are continuing the relationship for the last ten year, provides comfort.

Modest scale of operation

The companies scale of operation remain modest in FY18 with turnover of Rs. 3.90 crore and EBITDA of Rs. 3.34 crore in FY18.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Structure Transaction companies

Financial Ratios & Interpretation (Non-Financial Sector)

Infomerics Valuation And Rating Pvt. Ltd.



About the Company

MMG Holdings Pvt Ltd is promoted by Mr. M. Mohana Gupta, of the GUPTA Group of Chennai. The Company was incorporated in 2004. In addition to operating this company, Gupta family also operates other company like Gupta Hair Products Pvt. Ltd, MMG Impex and Gupta enterprise. These companies are engaged in processing and export of human hair. MMG holdings Pvt Ltd is engaged in leasing of warehouse and commercial space in Chennai.

Liquidity

The company is able to generate moderate cash accruals due to increase in lease rentals. The rent receivables are escrowed to meet repayment obligations besides two-month rent is kept as DSRA with Bank. Promoters have resources to meet any shortfall from the Group.

Financials (Standalone)

(Rs. crore)

For the year ended/ As On	31-03-2017	31-03-2018
	(Audited)	(Audited)
Total Operating Income	3.5	3.9
EBITDA	3.14	3.34
PAT	1.03	1.23
Total Debt	12.72	19.06
Tangible Networth	24.30	27.47
<u>Ratios</u>		
EBITDA Margin (%)	89.79	85.62
PAT Margin (%)	29.32	31.53
Overall Gearing Ratio (x)	0.52	0.69

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years					
		Type	Amount outstanding (Rs. Crores)	Rating	Date(s) & Rating(s) assigned 2017-18	& in	Date(s) & Rating(s) assigned 2016-17	& in	Date(s) & Rating(s) assigned 2015-16	& in
1.	Long Term Bank Facilities - Term Loan	Long	15.04	IVR BBB-(SO) [IVR BBB minus (Structured Obligation)]	-	-	-	-	-	-

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. 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. Crores)	Rating Assigned/ Outlook
Long Term Bank Facilities - Term Loan	-	-	-	15.04	IVR BBB- (SO) [IVR BBB minus (Structured Obligation)]