



Press Release

MGM Castings Private Limited

October 20, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Bank Facility – Term Loans	48.00 (Includes proposed limit of 12 Cr)	IVR B/ Stable Outlook (IVR Single B with Stable Outlook)
	Total	48.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned Rating derives strength from long track record of the group with experienced promoters in real estate industry, favourable location of the project and agreement with Amphenol Interconnects for leasing of two floors. However, these strengths are partially offset by impact of Covid-19 and cost overrun.

Key Rating Sensitivities

Upward Factor

- The management's ability to complete the project in projected time and lease out space.

Downward Factor

- Any further cost or time overrun in completing projects.
- Any delay in leasing out the property.

List of key rating drivers with detailed description

Key Rating Strengths

Long track record of the group and experienced promoters in real estate industry:

The promoters of the company, Mr. V.L. Purushotham and his family members are in the real estate business for over 50 years. Mr. V. L. Purushotham himself has an experience of more



Press Release

than 3 decades. The promoters through other entities have successfully carried out several commercial & residential projects in and around Bangalore.

Favourable location of the project with good connectivity:

The ongoing project is located in Electronic City of Bangalore, one of the prime Industrial areas in the city. It is India's largest IT industrial Park, having campuses of Infosys, Wipro, TCS and the likes. The famous educational institutes like IIT, Welingkar, SIBM are also located in this area. It is well connected with roads being connected by one of the longest Elevated Expressway. There is even an upcoming Metro Line. All in all, the location is extremely favourable.

Agreement with Amphenol Interconnects:

The company has already entered into an agreement with Amphenol Interconnects India Pvt. Ltd. to lease the ground floor and first floor of the building. The lease contract period is 10 years.

Key Rating Weaknesses

Impact of Covid-19:

The Covid-19 pandemic has resulted in the closure of retail outlets, malls and entertainment venues. This could put future commercial real estate deals on hold. Shortage of labour and delay in supply of construction materials could further push delivery timeline of ongoing projects.

Cost Overrun:

There has been escalation in cost of Construction due to increase material prices and labour cost due to Covid-19 Pandemic. The same might have adverse impact on the future cash flows and increase the financial burden.

Analytical Approach: Standalone



Press Release

Applicable Criteria:

Rating Methodology for Real Estate Companies
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stressed

The Company has cash and bank balances to the tune of Rs. 1.06 Crs as on March 31, 2020. It has a stressed liquidity position, as there is an escalation in cost of labour and raw materials due to Covid-19 Pandemic. However, the company has proposed additional term loan to meet the same.

About the Company

MGM Castings Pvt. Ltd. was incorporated in the year 2006. The Company was taken over by the current management; Mr. V. L. Purushotham and his family members, in 2015. It is based out of Bangalore, and is in the business of development of commercial building and leasing it out. The latest project envisages commercial building in electronic city by purchasing land having Land area of 66,650 Sft and built up area of 2,02,000 Sft.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	0.03	2.16	0.03
EBITDA	-0.03	0.26	-1.09
PAT	18.19	-0.71	10.81
Total Debt	15.02	12.35	21.69
Tangible Net Worth	19.04	18.34	29.15
Ratios			
EBITDA Margin (%)	NM	11.78	NM
PAT Margin (%)	NM	-19.16	NM
Overall Gearing Ratio (x)	0.79	0.67	0.74

NM: Not Meaningful

*Classification as per Infomerics' standards



Press Release

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (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	Fund Based Bank Facility – Term Loan	Long Term	48.00 (Includes proposed limit of 12 Cr)	IVR B/ Stable Outlook	--	--	--

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. Fremi Shah

Tel: (022) 62396023

Email: fremi.shah@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuaniania@infomerics.com



Press Release

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.

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
Fund Based Bank Facility – Term Loan	--	--	--	48.00 (Includes proposed limit of 12 Cr)	IVR B/ Stable Outlook