

Press Release

Adarsh Heights Private Limited

April 18, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	167.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	83.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed & assigned the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) on the Rs. 250.00 Cr bank facilities of Adarsh Heights Private Limited. The outlook is '**Stable**'.

The rating reflects strong recovery in retail sales witnessed across malls from Q2 FY22 post reopening after the second wave of the pandemic. The rating continues to reflect the Beekay group's established position in Ranchi, supported by established track record of the management in the real estate sector and the diversified revenue profile. These strengths are partially offset by exposure to project risks because of significant expansion plans, skewed debt amortization schedule impacting near term coverage ratios, volatility in occupancy, and vulnerability to cyclical in the real estate sector.

About Company

Incorporated in 2011, Adarsh Heights Private Limited (AHPL) is engaged in carrying out the business of development and construction of residential and commercial projects. Currently, the company is headed by Mr. B.K. Agrawala and Mrs. Anushri Agrawala. The company developed a multiplex cum shopping mall "Nucleus Mall" in Ranchi in 2017 which is spread across 1.59 acres of land with total built up area of 3.50 lakh square feet. The mall is fully occupied with reputed tenants, namely Big Bazaar, Reliance Trendz, Shoppers Stop, Allen Solly, Ritu Kumar, KFC and restaurants of Specialty group, and PVR is running the multiplex.

About the Group

Established in 2015, Chalice Real Estate LLP (CREL) is engaged in carrying out the business of development and construction of residential and commercial projects. Currently, the firm is headed by Mr. B.K. Agrawala and Mrs. Anushri Agrawala. The firm is constructing and developing a multiplex cum shopping mall "Nucleus City" in Ranchi which will be constructed in 6.83 acres of land with total built up area of 7.13 lakh square feet. The mall will become operational from April 2023; execution got delayed due to Covid. At present the firm has been able to formally enter into an agreement with Shoppers Stop and Inox Leisure Limited to set up their store in proposed Mall. In addition to this, four other reputed brands, namely Pantaloons, Indian Terrain, Skechers and Supper 99 have entered into an agreement with

Chalice to set up their store in the mall. It had also started a residential project, which will be constructed on 2.67 acre of land (spread across 4 residential towers of 2 basement + G + 13 structures).

Arrowline Realestate Private Limited (ARPL) incorporated in July, 2012 is engaged in setting up a Shopping Complex cum Hotel known as Nucleus Heights on 1.07 acre land at Kanke Road, Ranchi. The project consists of retail mall, /spaces (ground to third floor) along with a star category hotel (fourth to tenth floor) to be known as Courtyard "a brand owned by Marriott".

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has revised the approach to include Arrowline Realestate Private Limited (ARPL) into the 'Beekay Group' as Adarsh Heights Private Limited has 67.57 per cent stake in Arrowline Realestate Private Limited (ARPL) and AHPL has given corporate guarantee for ARPL. Hence, Acuité has now consolidated the business and financial risk profiles of Adarsh Heights Private Limited (AHPL), Chalice Real Estate LLP (CREL) and Arrowline Realestate Private Limited (ARPL) together referred to as the 'Beekay Group' (BG). The consolidation is in view of common management, similar line of business and strong operational linkages between the entities and cash flow fungibility.

Key Rating Drivers

Strengths

Longstanding track record of management in the real-estate business

The promoter of the group Mr. B.K. Agrawala has 25 years of experience and Mrs. Anushri Agrawala has 15 years of experience in the real estate business. The extensive experience of the promoters is reflected through the long-term lease agreements with its reputed tenants. The long-term lease agreements ensure stable and timely rental income during the lease period. Acuité believes that the group will continue to benefit from the established track record of the shareholders in the real estate sector and also the diverse portfolio in retail real estate business in Ranchi provides comfort.

Steady revenue stream from reputed clientele

The group achieved revenues of Rs. 28.16 Cr. in FY2021 as compared to Rs.37.61 crore in FY2020. While the pandemic and consequent closure of malls have impacted performance, the recovery has been steady post reopening. After closure of malls in April 2021 due to the second wave, malls gradually reopened from June 2021 albeit with restrictions. The "Nucleus mall" is fully occupied with reputed tenants namely, Big Bazaar, Reliance Trendz, Shoppers Stop, Allen Solly, Ritu Kumar, KFC, PVR, among others. The mall has signed lease agreements for 9-19 years with minimum 1-5 years lock in period and price escalation after every three years. In addition to this, the management has been able to formally enter into an agreement with Shoppers Stop, Inox Leisure Limited, Pantaloons, Indian Terrain, Sketchers and Supper 99 to set up their store inside the "Nucleus City" mall. The "Nucleus City" mall is expected to become operational from April 2023. For the residential project, the firm has already entered into an 'Agreement to Sale' for 108 units out of 230 units and has already received Rs. 42 Crores as customer advances up to December 2021. The "Nucleus Heights" mall is expected to become operational from April 2022. The implementation risk of the project stands moderate on account of presence of operational and financial support from AHPL. Acuité believes that the revenue profile is expected to be stable backed by confirmed lease agreements with reputed clientele.

Locational advantage

“Nucleus Mall” has the locational advantage, as it is located at Circular Road, Ranchi at the heart of the city and is surrounded by affluent residential colonies. The mall is around 4 kms from Ranchi Railway station and 8 kms from the airport. The close proximity of railway station and airport will help in attracting a lot of business travelers. The proposed shopping mall, “Nucleus City” will be located at Gymkhana Road, Ranchi at the heart of the city and is surrounded by affluent residential colonies. It's the first ever project in the vicinity and is expected to draw huge customers. The site is around 7 Kms from Ranchi Railway station and 13 kms from the airport. Various infrastructure facilities such as power, water telecommunication are also easily available in the area. Further, labors both skilled and unskilled are abundantly available from surrounding areas.

Weaknesses

Moderate financial risk profile

The group's moderate financial risk profile is marked by modest network, high gearing and moderate debt protection metrics. The tangible net worth of the group increased to Rs.118.01 Cr as on March 31, 2021 from Rs.113.63 Cr as on March 31, 2020. Gearing of the group stood high at 2.20 times as on March 31, 2021 as against 1.97 times as on March 31, 2020. The debt is substantially backed by highly stable rent-generating assets. The moderate debt protection metrics of the group is marked by Interest Coverage Ratio (ICR) at 1.69 times as on March 31, 2021 and Debt Service Coverage Ratio at 0.74 times as on March 31, 2021. Acuité believes going forward, debt protections indicators are expected to improve in line with recovery in mall operations, which have witnessed improvement since the reopening after the second wave. Nevertheless, the expected recovery can take longer in case of any subsequent surges in pandemic, resulting in further restrictions on operations.

Volatility to occupancy and vulnerability to cyclicity in the real estate sector

Rental collection, the key source of revenue, is exposed to volatility because of economic downturns, thereby impacting the tenant's business risk profile and hence occupancy and rental rates. In contrast, cash outflow such as debt obligation, is relatively fixed. The mall operations were suspended during both the years 2020 and 2021 due to the first and second waves of the pandemic, thereby significantly reducing cash flows. Furthermore, the ability of the group to renew agreements that are coming up for renewal, at pre-pandemic terms, especially considering the pandemic along with entering into new contracts for the upcoming malls will remain a key monitorable.

Rating Sensitivities

- Stabilization of operations, leading to improvement in EBITDA
- Improvement in near term debt service coverage ratios well above 1 time and maintenance of healthy liquidity position
- Timely execution and scaling up of projects

Material Covenants

None

Liquidity Position: Adequate

The group's adequate liquidity position is expected to support debt servicing as well as capex in the near-to-medium term on account of presence of escrow accounts and significant customer advances from sale of residential units to ensure timely repayment. The loans availed have cross-collateralization clauses and a well-defined waterfall mechanism, due to which the surplus available in any of the rated entities post debt servicing and operational funding requirements, would first be utilized towards meeting any debt servicing shortfalls in any of the other rated entities. The current ratio stood comfortable at 1.48 times as on March 31, 2021 as compared to 1.29 times as on March 31, 2020. The group has availed

loan moratorium. The cash and bank balances of the group stood at Rs.1.91 Cr as on March 31, 2021 as compared to Rs.0.97 Cr as on March 31, 2020. Acuité notes that liquidity of the group is supplemented by strong refinancing ability as well as the ability to raise additional lease rental discounting loans, if required.

Outlook: Stable

Acuité believes that the outlook on Beekay Group (BG) will remain 'Stable' over the medium term on account of experienced management, steady cash flows from lease rentals, strong counterparties and the presence of escrow mechanisms for loan from bank. The outlook may be revised to 'Positive' in case of a sharp increase in the DSCR due to better-than-expected lease rentals. The outlook may be revised to 'Negative' if a significant dip in the lease rentals or re-negotiations leading to lower cash flows impacting the debt protection metrics or unexpected termination of existing leases or substantial debt-funded capital expenditure or higher than expected impact on rentals and occupancies on account of COVID19 or any significant investments to other group entities.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	28.16	37.61
PAT	Rs. Cr.	4.38	7.01
PAT Margin	(%)	15.56	18.64
Total Debt/Tangible Net Worth	Times	2.20	1.97
PBDIT/Interest	Times	1.69	1.92

Key Financials: Standalone

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	28.16	37.61
PAT	Rs. Cr.	4.38	7.01
PAT Margin	(%)	15.56	18.64
Total Debt/Tangible Net Worth	Times	3.42	3.87
PBDIT/Interest	Times	1.69	1.92

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Apr 2022	Bills Discounting	Long Term	167.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
05 Mar 2021	Bills Discounting	Long Term	167.00	ACUITE BBB- Stable (Reaffirmed)
03 Feb 2021	Term Loan	Long Term	167.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	167.00	ACUITE BBB Stable Reaffirmed
Central Bank of India	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	83.00	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.