

Press Release

Chalice Real Estate LLP

March 05, 2021

Rating Assigned



| | |
|-------------------------------------|----------------------------------|
| Total Bank Facilities Rated* | Rs.116.16 Cr. |
| Long Term Rating | ACUITE BBB-/Stable (Assigned) |
| Long Term Rating | ACUITE A3 (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 116.16 Cr bank facilities of Chalice Real Estate LLP. The outlook is '**Stable**'.

About the company

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. The mall 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 2022. 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.

About the Group

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 has constructed and developed a multiplex cum shopping mall "Nucleus Mall" in Ranchi. The mall is spread across 1.59 acres of land with total built up area of 3.50 lakh square feet. The mall started its commercial operation in February 2017. 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.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Adarsh Heights Private Limited (AHPL) and Chalice Real Estate LLP (CREL) together referred to as the 'Beekay Group' (BG). The consolidation is in the view of common management, similar line of business, AHPL's 98 per cent stake in CREL and a corporate guarantee extended by AHPL to CREL. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Experienced management**

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 its experienced management and long-term lease agreements with its reputed clientele.

- Steady revenue stream from reputed clientele**

Revenues of the group improved to Rs.35.75 crore in FY2020 (provisional) from Rs.34.14 crore in FY2019. 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 have entered into an agreement with Chalice to set up their store inside the "Nucleus City" mall. The "Nucleus City" mall is expected to become operational from April 2022. Acuite 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 steady 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.

Weakness

- **Moderate financial risk profile**

The group's moderate financial risk profile is marked by modest networth, high gearing and moderate debt protection metrics. The tangible net worth of the group increased to Rs.48.05 Cr as on March 31, 2020 (provisional) from Rs.37.75 Cr as on March 31, 2019. Gearing of the group stood high at 3.95 times as on March 31, 2020 (provisional) as against 4.91 times as on March 31, 2019. The debt of Rs.189.69 Cr consists of lease rent discounting loan and term loan from the bank of Rs.170.60 Cr, unsecured loan of Rs.5.60 Cr and current maturity of term loan of Rs.13.50 Cr as on March 31, 2020 (provisional). The moderate debt protection metrics of the group is marked by Interest Coverage Ratio (ICR) at 1.92 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio at 1.05 times as on March 31, 2020 (provisional). Acuité believes that financial risk profile is expected to be moderate over the medium term.

- **Agreement renewal risk**

The revenues of the group are derived by way of rent from reputed corporates. The group ensures that credit quality is satisfactory. Conversely, the counterparty risk is high in case of occurrence of any events such as changes in policy decisions by top management willing to continue their warehouse space. In the event of non-renewal by existing lessee, the future cash flows will be impacted, thereby translating to further weakening of debt protection indicators. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor. However, this risk is partially mitigated by the long-term relationship with reputed tenant base, which will support the business profile as witnessed in the past.

Rating Sensitivity

- Significant delays in payment of lease rentals by the counterparty
- Improvement in financial risk profile
- Timely completion of project in CREL

Material Covenant

None

Liquidity Profile: Adequate

The group's liquidity is moderate marked by net cash accruals of Rs.14.27 Cr as on March 31, 2020 (provisional) as against long term debt repayment of Rs.12.88 Cr over the same period. The current ratio stood at 0.89 times as on March 31, 2020 (provisional) as compared to 0.72 times as on March 31, 2019. The group has availed loan moratorium. The cash and bank balances of the group stood at Rs.0.71 Cr as on March 31, 2020 (provisional) as compared to Rs.0.31 Cr as on March 31, 2019. Acuité believes that going forward, the group will maintain adequate liquidity position due to steady accruals.

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.

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 35.75 | 34.14 |
| PAT | Rs. Cr. | 10.87 | 4.19 |
| PAT Margin | (%) | 30.41 | 12.28 |
| Total Debt/Tangible Net Worth | Times | 3.95 | 4.91 |
| PBDIT/Interest | Times | 1.92 | 1.61 |

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------|------------------|----------------|----------------|-----------------------------|-------------------------------|
| Term Loan | Not Available | Not Available | Not Applicable | 50.00 | ACUITE BBB-/Stable (Assigned) |
| Term Loan | Not Available | Not Available | Not Applicable | 65.00 | ACUITE BBB-/Stable (Assigned) |
| Proposed fund based facility | Not Applicable | Not Applicable | Not Applicable | 0.76 | ACUITE BBB-/Stable (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.40 | ACUITE A3 (Assigned) |

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About Acuité Ratings & Research

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