



Press Release
CHALICE REAL ESTATE LLP
November 14, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	195.76	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	15.90	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	211.66	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A Three plus**) on the Rs. 211.66 Cr bank facilities of Chalice Real estate LLP. The outlook remains '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation continues to reflect Beekay group's established position in Ranchi, diversified revenue profile, and the steady cash flows from the completed as well as ongoing projects. These strengths are, however, offset by exposure to execution delays in ongoing projects and moderate financial risk profile of the group.

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. The firm is also engaged in the construction and development of a multiplex cum shopping mall "Nucleus City" in Ranchi. CREL has acquired 9.50 acre of land out of which 6.83 acres of land is distributed for building the mall and the rest 2.67 is for the construction of the residential projects.

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. The company is managed by Mr. B.K. Agrawala and Mrs. Anushri Agrawala. AHPL 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 located at the Circular Road one of the most important locality of Ranchi near the Lalpur Chowk. The mall is fully occupied with reputed tenants, namely Smart Bazaar, Reliance Trends, Shoppers Stop, Allen Solly, Manyavar, Bata, Lenskart, KFC and others with PVR running the multiplex.

Incorporated in 2012, Arrowline Realestate Private Limited (ARPL) is engaged in setting up a Shopping Complex cum Hotel known as Nucleus Heights with the star category hotel to be known as Courtyard 'a brand owned by Marriott'. The entire project consists of Shopping mall, Food Court and Hotel (Courtyard) including Banquet Hall, business centre and car parking facilities. The project comprises of retail mall/spaces which takes up the 1st and 2nd floor of the building area and the 3rd to 7th floor is dedicated for the hotel.

Unsupported Rating
Not Applicable

Analytical Approach

For arriving at this rating, Acuité has 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.

Extent Of Consolidation

Full

Key Rating Drivers

Strengths

Experienced management in real-estate business

The group is promoted by Mr. B.K. Agrawala having an experience of more than two decades. He is further supported by Mrs. Anushri Agrawala, having around two decades 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 such as Shoppers Stop, Smart Bazaar, Reliance Trends, PVR Ltd among others. The long-term lease agreements ensure stable and timely rental income during the lease period.

Acuité believes that the experienced management and long-term lease agreements with the reputed clientele will continue to benefit the group going forward.

Steady scale of operations

The group has achieved revenues of Rs. 52.37 Cr in FY2023 as compared to Rs. 35.66 Cr in FY2022. The steady stream of revenues is supported by the fully operational malls. The "Nucleus Mall" is fully occupied with reputed tenants namely, Shoppers Stop, Allen Solly, Manyavar, Bata, Lenskart, 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. Moreover, the "Nucleus Heights Mall" is fully operational since April 2022 and it has tied up with reputed brands like Shoppers Stop, Color Bar Cosmetics Pvt. Ltd., Inc5 Shoes Pvt. Ltd., The Crepe Café. In addition to this, the management has been able to formally enter into an agreement with Shoppers Stop, Pantaloons, Inox, Mamaearth, Sketchers, Tata Croma, Turtle Limited to set up their store inside the "Nucleus City Mall" which is a part of CREL. The mall is expected to become operational from April 2024. The group has also received advances from customers for their residential project in CREL. The Courtyard hotel in ARPL is also expected to start operations by FY2024 or Q1FY2025 which provides revenue visibility considering the brand recall of the Marriott brand.

Acuite believes that the revenue profile is expected to be stable backed by confirmed lease agreements with reputed clientele for the malls, saleability of the residential project and off-take from the hotel business.

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 travellers. 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 is 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 financial risk profile is marked by high gearing, moderate debt protection metrics and improving networth. Gearing of the group stood high at 3.59 times as on March 31, 2023 as against 2.76 times as on March 31, 2022. Bank debt had increased during FY23, with the incremental debt primarily comprising of Lease Rental Discounting (LRD) loans and loans taken for capital expenditure, but the debt is substantially backed by highly stable rent-generating assets. The Interest Coverage Ratio stood at 2.03 times in FY2023 as against 1.54 times in FY2022. The tangible net worth of the group increased to Rs.140.06 Cr as on March 31, 2023 from Rs.127.81 Cr as on March 31, 2022.

Acuité believes the steady lease rentals from the commercial portfolio and good saleability in residential projects and off-take from hotel business shall help in improving the financial risk profile characterized by a modest debt service coverage ratio over the medium term.

Risks related to execution of the ongoing projects

The group has three ongoing projects with two projects (Mall and Residential Project) in CREL and one project (Hotel) in ARPL. The group is engaged in the construction of a residential project spread across 2.67 acre of land with 4 residential towers of 2 basement + G + 13 structures. The project is expected to be completed by February, 2025. Further, the group is constructing the Nucleus City Mall under CREL, the Commercial Operation Date (COD) of which has been extended to April 2024 from April 2023 on account of operational delays faced by the group. In addition to this, the expected completion of the hotel under ARPL is also postponed to February, 2024 from April, 2023 owing to operational delays.

Acuité believes that timely completion of the said projects without further delays will remain a key rating sensitivity factor.

Rating Sensitivities

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

All 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 of the term loans. 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 2.49 times as on March 31, 2023 as compared to 1.89 times as on March 31, 2022. The cash and bank balances of the group stood at Rs.2.19 Cr as on March 31, 2023 as compared to Rs.1.11 Cr as on March 31, 2022.

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 debt service coverage ratio 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 or in case of further delays in the completion of the ongoing projects or any significant investments to

other group entities.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	52.37	35.66
PAT	Rs. Cr.	12.24	4.80
PAT Margin	(%)	23.38	13.47
Total Debt/Tangible Net Worth	Times	3.59	2.76
PBDIT/Interest	Times	2.03	1.54

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Aug 2022	Term Loan	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.76	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	65.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.40	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	15.50	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	80.00	ACUITE BBB Stable (Assigned)
18 Apr 2022	Proposed Bank Facility	Long Term	0.76	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.40	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	65.00	ACUITE BBB Stable (Reaffirmed)
07 Apr 2022	Term Loan	Long Term	50.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	0.76	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	65.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	0.40	ACUITE A3+ (Upgraded from ACUITE A3)
05 Mar 2021	Term Loan	Long Term	65.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	50.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.76	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	0.40	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.40	ACUITE A3+ Reaffirmed
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.50	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.76	ACUITE BBB Stable Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	80.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	65.00	ACUITE BBB Stable Reaffirmed

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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.

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