

Press Release

Shrimarc Mall LLP

April 01, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 68.00 Cr.
Long Term Rating	ACUITE BBB/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs.68.00 Cr. bank facilities of Shrimarc Mall LLP. The outlook is '**Stable**'.

Established as a partnership firm in 2013, Shrimarc Mall LLP (SML) operates a mall named 'Junction Mall' at Durgapur, West Bengal with a leasable area of 2.85 lakh sq. ft. The firm is a partnership between Bengal Shrachi Housing Development Limited (BSHDL) and Sky Vinimay Private Limited (SVPL) sharing an equal share of profit. BSHDL and SVPL belong to the Shrachi and Primarc group of Kolkata respectively. The mall was inaugurated in March, 2011 and Primarc Group entered into partnership with Shrachi Group in 2013. The area in the shopping mall is leased out to around 150 international and national brands, including The Body Shop, Fabindia, The Apple Store, Shopper's Stop, Nike, Reebok, Pantaloons among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SML to arrive at this rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced partners

The promoters, Bengal Shrachi Housing Development Limited (BSHDL) and Sky Vinimay Private Limited (SVPL) have around two decades of experience in operating commercial properties and real estate. SVPL belongs to the Primarc group, a conglomerate in diverse business operations such as retail franchisees, real estate, online and offline retail trading. Primarc group has a track record of around two decades in the Kolkata real estate market in developing residential, commercial and retail projects. The Group has delivered 21.97 lakh sq ft. area across 17 projects till date. The business is managed by Mr. Mahesh Pansari and Mr. Siddharth Pansari (sons of Mr. Nand Kishore Pansari).

BSHDL is a joint venture between the West Bengal Housing Board (49.97% stake) and Shrachi Group (50.03% stake). During the last two decades, BSHDL has undertaken both residential and commercial projects in West Bengal namely Greenwood Nook, Greenwood Park, Greenwood Park extension, Greenwood Sonata and Greenwood Elements, and other commercial projects –Block by Block in New-Town and Synthesis Business Park at Rajarhat. Hence, Acuite believes that promoters vintage and long track record of operations is expected to support its business risk profile over the medium term.

• Favourable location of the Mall and Healthy Occupancy level

The Junction Mall is situated in the heart of the Durgapur city and is one of the largest malls in the city having tie up with reputed brands like Shoppers stop, Pantaloons, Spencers, Multiplex (Bioscope), Reliance trends, Khadims, Woodland, Blackberry Mumoso, etc. The Mall is very well connected and lies in close proximity to hotels, main Bus Terminus and residential apartments. Further, the mall has entertainment zones and food hubs such as KFC, Mainland China, Subway, Chai Break, Mainland China, Pizza hut etc. leading to healthy footfalls. Being the largest mall in Durgapur, it caters to towns of Burdwan, Asansol, Rangiganj and Dhanbad.

With no major competing mall in Durgapur market of similar scale and operations, the footfalls for the mall are robust. This is also reflected in near full occupancy of the mall, premium brand presence and healthy average yearly lease rental of Rs. 526 / sq ft. Hence, owing to an attractive location of the mall and robust footfall, the firm enjoys healthy occupancy level of ~93%. Acuite believes that the favourable location of the mall would continue to benefit the firm in terms of robust footfalls and premium brand participation.

• **Steady revenue stream under lease arrangements with reputed clients**

The firm operates on lease model and has entered into a long term agreement with reputed brands like Shoppers stop, Pantaloons, Spencers, Priya Entertainment Private Limited, Subway, Chai Break, Mainland China, Pizza hut etc. Currently, there are around 121 tenants in the mall. Out of the same, there are four anchor tenants, Shoppers stop, Pantaloons, Spencers and Priya Entertainment Private Limited which constitutes ~43% of the total leased area. The mall has lease agreement (entered between May 2010 and January 2018) between 9 to 24 years. The lock in period of such lease agreement has already expired.

Moreover, the lease agreement also includes price escalation clause for some tenants every three years which is expected to factor in any increase in operating costs during the lease tenure. Acuite believes that the lease agreement with reputed clients will ensure stable revenue stream for the firm through lease rentals.

Thus, the strong credit risk profile of tenants, established market position, brand recognition and experience of the tenants in their respective domain not only mitigates the risk of any unlikely delay in receipt of lease rental but also ensures the renewal of lease agreements post completion of existing tenure.

Weaknesses

• **Renewal risk of lease contracts and susceptibility to lower occupancy due to economic downturns**

In the event of non-renewal by existing lessee, the future cash flows will be impacted thereby translating to weakening of debt protection indicators. Key clients contribute to more than 40% of the total lease rentals. In the event of either of the companies deciding to move out or seeking a renegotiation the rentals are likely to be impacted. Hence, timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor. However, this risk is mitigated at an extended considering mall's strategic location and strong credit risk profile of tenants. Further, there is minimal risk of non-renewability of the lease agreement of anchor tenants as few of them has already sustained beyond the lock in period.

Rating Sensitivity

- Higher-than-expected cash flows leading to improvement in debt protection metrics on a sustained basis
- Significant delays in payment of lease rentals by the counterparty
- Decline in occupancy level leading to cash flow mismatch

Material Covenants

None

Liquidity Position: Adequate

Liquidity of the firm is adequate marked by moderate cash accruals to its repayment obligations. Term debt obligations are structured to be paid out of rental income through an escrow account, where rent is being directly deposited as per an agreement with the bank, which recovers equated monthly instalments. The cash flow cover is expected to be comfortable during the tenure of the loan and its debt service coverage ratio (DSCR) expected to remain comfortable at an average of 1.56 times over the tenure of the LRD loan, owing to the expectation of steady lease rentals and well-structured debt repayment obligation. Further, the firm maintains DSRA equivalent to 2 months EMI which strengthens the liquidity profile of the firm. Acuite believes that the liquidity of the firm will remain adequate over the medium term with the expected steady flow of lease income from operations of the mall as well as expected stable occupancy rates.

Outlook: Stable

Acuite believes that firm's outlook 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 the LRD loan. The outlook may be revised to 'Positive' in case of a sharp increase in the DSCR because of 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.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	14.32	13.78
PAT	Rs. Cr.	0.50	(1.16)
PAT Margin	(%)	3.52	(8.40)
Total Debt/Tangible Net Worth	Times	2.66	2.20
PBDIT/Interest	Times	1.26	1.11

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

None

Any other information

None

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

Note on complexity levels of the rated instrument

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

Rating History (Up to 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.)	Name of the Bank	Ratings/Outlook
Term Loan	30th April, 2019	10.25	30th April, 2034	68.00	LIC Housing Finance	ACUITE BBB/Stable (Assigned)

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About Acuité Ratings & Research

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