

Press Release

Shrimarc Mall LLP

June 02, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	68.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	78.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed and assigned the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) to the Rs.78.00 Cr. bank facilities of Shrimarc Mall LLP. The outlook is '**Stable**'.

The rating reaffirmation factors in the strong recovery in retail sales witnessed across malls from Q2 FY22 post reopening after the second wave of the pandemic. The attractive location of the "Junction Mall" in Durgapur and the reputed tenant profile have further provided comfort to the rating. The rating also takes into account the presence of debt servicing reserve account (DSRA) in the form of fixed deposit equivalent to three months of debt repayment, and an escrow structure, which prioritizes debt servicing. Acuite continues to draw comfort from the strong partnership between BSHDL and SVPL for which SML is likely to derive operational synergies as well as financial flexibility from the proven track record and the diverse portfolio of the partners. The rating, however, remains constrained by the modest debt coverage indicators and volatility in occupancy.

The stable outlook reflects Acuite's expectation that, the company will continue to benefit from the strong partnership while maintaining healthy occupancy levels.

About the Company

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, Acuité believes that promoters vintage and long track record of operations is expected to support its business risk profile over the medium term.

Steady revenue stream from reputed clientele

The firm achieved revenues of Rs. 13.85 Cr. in FY2022 (Prov) as compared to Rs.11.65 crore in FY2021. 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 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, and Pantaloons, Spencers and Style Up (Aditya Birla Fashion) which constitutes ~ 43 per cent of the total leased area. The mall has lease agreement (entered between May 2010 and January 2018) between 9 to 24 years which 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. Acuité 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.

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, and 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 footfall for the mall has been stable. This is also reflected in near full occupancy of the mall, premium brand presence and healthy average yearly lease rental of Rs. 525 / sq ft. Hence,

owing to an attractive location of the mall and robust footfall, the firm enjoys healthy occupancy level of ~91 per cent. Acuité believes that the favourable location of the mall would continue to benefit the firm in terms of robust footfalls and premium brand participation.

Weaknesses

Debt coverage metrics vulnerable to changes in occupancies and rent realizations

The debt coverage indicators are modest in the near term backed by moderation in the operational occupancy. Debt servicing during the last 18 months have remained supported by timely infusion of funds from promoter, loan moratorium availed during March to August 2020, as permitted by RBI. While the risk is partly mitigated by committed occupancy of 91 per cent as on date, the debt protection indicators would remain vulnerable to any slowdown recovery in mall operations or weaker recoveries in performance of any of the major anchor tenants.

Volatility to occupancy and exposure to lessee concentration risk

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 in both fiscals 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, will remain a key monitorable. This is offset by conclusion of negotiations of rentals with majority of tenants in retail profile. Although cash flow and liquidity buffer will be able to absorb the impact of fluctuations in occupancy and interest rate to some extent, they remain rating sensitivity factors.

Lessee concentration risk is high for Junction Mall as the top-four tenants contribute nearly 40-45 per cent to the rental revenue. Notwithstanding the comfortable weighted average lease expiry profile of the asset, the cash flows will be adversely impacted in case of an early termination of any of the anchor tenant leases, considering the high tenant concentration.

Rating Sensitivities

- 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

The firm's adequate liquidity position is expected to support debt servicing in the near-to-medium term on account of presence of escrow accounts to ensure timely repayment. The current ratio stood comfortable at 2.02 times as on March 31, 2022 (prov) as compared to 1.81 times as on March 31, 2021. 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 1.66 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 three months debt service obligation which strengthens the liquidity profile of the firm. Acuité notes that liquidity of the firm is supplemented by strong refinancing ability as well as the ability to raise additional lease rental discounting loans, if required. Moreover, the overall liquidity profile has been supported by timely infusion of funds from the promoter and such support is expected going forward as well.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	11.65	14.32
PAT	Rs. Cr.	(0.05)	0.50
PAT Margin	(%)	(0.44)	3.52
Total Debt/Tangible Net Worth	Times	4.36	2.66
PBDIT/Interest	Times	1.25	1.26

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

Care Rating, vide its press release dated March 18, 2021 had downgraded the rating of Shrimarc Mall LLP to 'Care BB+; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

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>
- 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Apr 2021	Term Loan	Long Term	68.00	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
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	68.00	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.00	ACUITE BBB Stable Assigned

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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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