



Press Release
Mac Charles India Limited
January 23, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	620.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	620.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.620.00 Cr of Non-Convertible Debentures (NCDs) of MAC Charles India Limited (MCIL).

Rationale of Reaffirmation

The rating reaffirmation is on account of steady construction progress in the ongoing projects of MCIL. The company has two ongoing projects - Project Embassy Zenith and Project Embassy Hub. The construction in Project Embassy Zenith is ongoing with 7 floors completed and the Hub is currently at design stage and land acquisition is ongoing. Project Embassy Zenith is expected to be completed by September, 2024. The debt tie-up for both projects is completed, thereby underlining minimal funding risk. However, due to nascent stage of implementation of Project Embassy Hub, implementation risk prevails but is partly mitigated considering the established track record and expertise of Embassy group in the real estate development segment. Going forward, the company's ability to timely complete the construction and monetize Project Embassy Zenith and ensure steady construction progress without time and cost overruns in Project Embassy Hub would remain key rating monitorables.

About the Company

Mac Charles (India) Limited (MCIL) is in the business of real estate development and wind power generation. The company is incorporated in 1979 and based out of Bangalore and is promoted by Embassy Group which holds 73.41 percent of the shares of MCIL through Embassy Property Developments Private Limited. The company owns commercial real estate assets in Bangalore, Kerala and 5 wind power generation units in Bellary. Currently, the Company is redeveloping the erstwhile Le Meriden Hotel site in CBD Bangalore into a landmark A-Grade commercial office building under the project named – Embassy Zenith. MCIL, has recently initiated another project under its 100 percent wholly owned subsidiary named 'Embassy Hub projects Private Limited' to acquire land parcels (a mix of outright acquisition and JDA) followed by construction of commercial space for leasing. The Company has divested its stake in one of its 100 percent wholly owned subsidiary - Airport Golfview Hotels & Suites Private Limited which operated Airport Golf View Hotel in Cochin

About the Group

Embassy Group was incorporated in 1993 by Mr. Jitendra Virwani. The group is one of the leading real estate developers. The group has developed 55+ Million Sq. Ft. In its legacy of expertise spanning 25 years, Embassy Group has covered the entire value chain of real estate from land acquisition to the development, marketing and operation of assets. In addition, the Embassy group owns properties in the hospitality segment as well. It also has an extensive land bank of 1000+ acres across India. The operation spread across Indian and international

markets that include Bangalore, Chennai, Pune, Trivandrum, Serbia and Malaysia. The group from time to time partners with several established market players like, Blackstone, Warburg

Pincus, Taurus Investments as well as different financial institutions to execute projects.

Unsupported Rating

None

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MCIL to arrive at the credit rating.

Key Rating Drivers

Strengths

- **Established presence of Embassy group in the commercial real estate segment**

Mac Charles (India) Limited (MCIL) is in the business of real estate development and wind power generation. The company is promoted by Embassy Group which holds 73.41 percent of the shares of MCIL through Embassy Property Developments Private Limited. The Embassy group is among the largest commercial real estate developers in the country. EPDPL is engaged in development of commercial, residential and retail projects. The group has business parks in locations such as Bangalore and Pune, with upcoming projects in Chennai, and Trivandrum. The group has developed 55+ Million Sq. Ft. In its legacy of expertise spanning 25 years, Embassy Group has covered the entire value chain of real estate from land acquisition to the development, marketing and operation of assets. In addition, the Embassy Sponsor owns properties in the hospitality segment. Acuite believes, with the expertise of the group in handling similar projects in the past will help the company in on time completion of project without any cost overruns.

- **Premium location and amenities of both the projects**

Embassy Zenith project is located at Sankey Road in heart of Bangalore city overlooking the golf course on the erstwhile Le Meriden Hotel site in CBD Bangalore. The project is expected to fetch monthly rentals, higher than those prevailing in the locality which is in the range of range of Rs.190 per square foot per month. Embassy Hub project is too located in North Bangalore, a few kilometers away from the airport. Both the developments are proposed to be an ultra- premium state of the art development with superlative specifications and high-end infrastructure. Acuite believes, the premium nature of the project and its prime location will benefit the company in realizing the value of the projects.

- **Moderate financial risk profile**

MCIL's financial risk profile was comfortable as observed from stable net worth, comfortable debt protection metrics, and moderate coverage indicators. The net worth rose to Rs.473.93 Cr as on March 31, 2023 from Rs. 402.11 Cr as on March 31, 2022, due to accretion of profits to reserves. The company generated a profit of Rs. 74.34 Cr from sale of property, plant and equipment and assets held for sale during the year.

The debt protection metrics was above average with gearing of 1.11 times as on March 31, 2023 as against 0.30 times as on March 31, 2022 and total outside liabilities to net worth of 1.15 times as on March 31, 2023 as against 0.59 times as on March 31, 2022. The coverage indicators were moderate with DSCR and interest coverage of 2.87 times and 3.07 times respectively for FY2023 as against 13.26 times and 20.81 times for FY2022. During the year, the incurring of construction costs and the acquisition of new assets led to increase in the total debt, primarily long-term debt to Rs. 527.69 Cr as on March 31, 2023 as against Rs.122.29 C as on March 31, 2022, resulting in moderation of the financial risk profile.

Weaknesses

- **Susceptibility to cyclical and regulatory risks impacting real estate industry**

Embassy Group and the project is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is currently witnessing moderation in demand on account of large amounts of unsold inventory, unleased commercial spaces and high borrowing costs. This is primarily attributable to the high property

prices due to persistent rollover of bank debt which has had a cascading effect on the overall financing costs. Given the high degree of financial leverage the high cost of borrowing inhibits the real estate developers' ability to reduce prices. Further, the industry is exposed to regulatory risk which is likely to impact players thereby impacting its operating capabilities.

• **Project risk**

The company has two ongoing projects - Project Embassy Zenith and Project Embassy Hub. The construction in Project Embassy Zenith is ongoing with 7 floors completed and Project Embassy Hub is currently at design stage and land acquisition is ongoing. Project Embassy Zenith is expected to be completed by September, 2024. The debt tie-up for both projects is completed. However, due to nascent stage of implementation of Project Embassy Hub, implementation risk prevails.

ESG Factors Relevant for Rating

MCIL undertakes multiple CSR activities and has an existing CSR policy. In FY2022, the company has supported for implementing holistic health and hygiene program with focus on preventive healthcare, nutrition and sanitation at government schools in Bangalore. Further, Embassy Group is engaged in multiple ESG initiatives including supporting government schools in Bangalore, public spaces clean up in Bangalore, installation of segregated garbage bins in Bangalore CBD, transformation of 101 under fly-over pillars, among others. Additionally, all the projects undertaken by Embassy Group have IGBC Green Gold Certification or higher.

Embassy group has an active engagement towards improvising education, sustainable infrastructure, community engagement and corporate connect. The group aims to facilitate students of Government Schools with a safe learning environment for skill development through holistic interventions in Education, Health and Infrastructure. It has supported more than 85 government schools through educational and infrastructure interventions, build around 10 new government schools amongst others.

Embassy group drives positive change by providing infrastructure-based solutions with new frontline services for environmental sustainability and community healthcare, it promotes grassroot results to global problems in the communities it is a part of. Embassy group is a proud partner of TAICT's (The Anonymous Indian Charitable Trust) Ecogram Waste Management Project, which aims to catalyse communities to develop and implement strategic infrastructure for sustainable environmental management. It has completed several initiatives of public spaces clean-up, installation of segregated garbage, mobile cancer detection unit amongst others.

Rating Sensitivities

- > Any delay in project construction resulting in cost overruns
- > Higher-than-expected reliance on debt in future
- > Any inorganic changes to the structure viz. mergers, acquisitions, asset sales etc.

Liquidity Position

Adequate

The liquidity position of the company was adequate as observed from, comfortable net cash accruals, compared to the loan repayments for the company. The Zenith project cost which is reduced to Rs.380 Cr has already raised NCDs of Rs.350 Cr) and balance Rs. 30 Cr is funded from lease deposits or capital contribution from promoters. For Embassy Hub, the Company has raise Rs.320 Cr of listed NCDs. The redemption of all the NCDs can be done as one single repayment or after lock in period with no fixed schedule giving the company flexibility to arrange funds for the repayment which falls due in July, 2025 and August, 2026.

Outlook: Stable

Acuité believes that MCIL will maintain a 'Stable' outlook over medium term on account of established market position of Embassy group in the real estate industry and nature of project. The outlook may be revised to 'Positive' in case the company generates higher than expected cash flows and achieves its project completion as per scheduled timelines. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's

liquidity position on account of escalation of project costs, which may further increase the dependence on refinancing of debt.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	11.19	21.98
PAT	Rs. Cr.	58.98	111.03
PAT Margin	(%)	527.09	505.22
Total Debt/Tangible Net Worth	Times	1.11	0.30
PBDIT/Interest	Times	3.07	20.81

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
20 Feb 2023	Non Convertible Debentures	Long Term	300.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Non Convertible Debentures	Long Term	320.00	ACUITE BB+ Stable (Assigned)
31 May 2022	Proposed Non Convertible Debentures	Long Term	320.00	ACUITE Provisional BBB- Stable (Assigned)
	Non Convertible Debentures	Long Term	300.00	ACUITE BBB- Stable (Reaffirmed)
26 Jul 2021	Non Convertible Debentures	Long Term	300.00	ACUITE BBB- Stable (Assigned)
15 Jul 2021	Proposed Non Convertible Debentures	Long Term	300.00	ACUITE Provisional BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE435D07045	Non-Convertible Debentures (NCD)	24 Aug 2022	Not Applicable	24 Aug 2026	Simple	135.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07052	Non-Convertible Debentures (NCD)	20 Sep 2022	Not Applicable	24 Aug 2026	Simple	135.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07078	Non-Convertible Debentures (NCD)	21 Dec 2022	Not Applicable	24 Aug 2026	Simple	30.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07011	Non-Convertible Debentures (NCD)	26 Jul 2021	Not Applicable	26 Jul 2025	Simple	99.90	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07037	Non-Convertible Debentures (NCD)	12 Aug 2022	Not Applicable	26 Jul 2025	Simple	25.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07060	Non-Convertible Debentures (NCD)	15 Dec 2022	Not Applicable	26 Jul 2025	Simple	25.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07078	Non-Convertible Debentures (NCD)	21 Dec 2022	Not Applicable	24 Aug 2026	Simple	20.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07086	Non-Convertible Debentures (NCD)	22 May 2023	Not Applicable	26 Jul 2025	Simple	50.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	INE435D07094	Non-Convertible Debentures (NCD)	26 Dec 2023	Not Applicable	26 Jul 2025	Simple	100.10	ACUITE BB+ 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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