

April 14, 2023

Safari Retreats Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	280.0	280.0	[ICRA]A- (Stable); reaffirmed
Total	280.0	280.0	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the long-term rating of Safari Retreats Pvt. Ltd. (SRPL) factors in the healthy occupancy of 97% for the mall (Esplanade One, Bhubaneswar), its attractive location and reputed tenant profile. ICRA continues to consider the strong sponsor group – Nexus Malls, the Indian retail portfolio arm of Blackstone Group, which holds a 100% stake in the company. SRPL is likely to benefit from the operational synergies as well as financial flexibility from the proven track record and diverse portfolio of Nexus Malls/Blackstone. The rating also factors in the low leverage (estimated debt to net operating income (NOI) of around 3 times for FY2024) and adequate liquidity. ICRA notes that the company has monetised the remaining office inventory, which resulted in an increase in sizeable free cash and liquid investments of Rs. 31 crore as of December 2022 (Rs. 12 crore as of March 2022), which is adequate to cover around 8 months' of principal and interest servicing obligations (excluding Rs. 11 crore of DSRA maintained). The company is expected to use it for prepaying the existing debt. Additionally, the company has also maintained debt service reserve account (DSRA) balance equivalent to three months' principal and interest payments.

The rating is, however, constrained by the vulnerability of the company's debt coverage indicators to changes in interest rates and reduction in occupancy levels. SRPL's five-year average debt servicing coverage ratio (DSCR) is estimated to remain moderate at around 1.1 times for FY2023-2027, following the significant increase in interest rates. Nonetheless, the presence of adequate liquidity cushion in the form free cash and liquid investments to the tune of Rs. 31 crore as of December 2022 provides comfort. The rating is also constrained by the lessee and the asset concentration risk. SRPL's revenues would remain exposed to adverse macroeconomic and external conditions such as Covid-19 pandemic, which could impact the tenants' business risk profiles. While the company is also exposed to the risks from the sizeable contingent liabilities, ICRA notes that the same are indemnified by the asset developer.

The Stable outlook reflects ICRA's expectation that the company will continue to benefit from its favourable location as well as the operational synergies and financial flexibility offered by Nexus Malls/Blackstone.

Key rating drivers and their description

Credit strengths

Healthy occupancy levels and reputed lessee profile – Esplanade One, owned by Nexus Malls, is Bhubaneswar's first organised retail mall. It became operational in July 2018 and is currently the biggest mall in Odisha. The mall hosts reputed tenants such as Cinapolis, Lifestyle, Iconic, Mark & Spencer, Home Center, Max, Reliance Trends, and Smart Bazaar. A combination of attractive location and catchment area as well as robust mall management capabilities have enabled the mall to sustain the occupancy levels at 97% as on January 31, 2023. During 10M FY2023, the trading density for the mall increased 67% over the same period pre-Covid.

Strong sponsor group with established track record and diverse portfolio – The company is 100% owned by the Blackstone Group through its affiliates. The sponsor is one of India's leading office landlords. Nexus Malls is the retail platform of Blackstone Real Estate in India. The established track record of the shareholders in the real estate sector and the diverse

portfolio in retail real estate business in India provide comfort. The mall is expected to benefit from Nexus Malls' presence and experienced management in terms of operational and financial synergies due to large retail portfolio.

Low leverage – The company's leverage is low with estimated debt to net operating income (NOI) of around 3 times for FY2024.

Credit challenges

Exposed to lessee concentration and asset concentration risks – The mall has high customer concentration, with the top five tenants occupying close to 53% of the total leasable area and contributing 47% of the total rental revenue, thus exposing the company to lessee concentration risks. The risk is mitigated partly as there are no major lease renewals in the near term. Given the single asset nature of the company, there is revenue concentration risk with future cash flows linked to the performance of the single asset.

Vulnerability to interest rates and other external factors – SRPL's revenues are exposed to adverse macroeconomic and external conditions such as the Covid-19 pandemic, which could impact the tenants' business risk profiles. The rating is constrained by the vulnerability of the company's debt coverage indicators to changes in interest rates. SRPL's five-year average DSCR is estimated to remain moderate at around 1.1 times for FY2023-2027, following the significant increase in interest rates. Nonetheless, the presence of adequate liquidity cushion in the form free cash and liquid investments to the tune of Rs. 31 crore as of December 2022 provides comfort.

Sizeable contingent liabilities – As on March 31, 2022, the company had contingent liability of Rs. 57 crore (112% of Tangible net worth). However, in case of unfavourable court verdict, the risk is partly mitigated by the indemnity provided by the erstwhile owner of the mall, i.e. the Forum Group. ICRA also notes that the company's current leverage of the company is low and hence, there is sufficient cushion available to absorb the increase in debt, if required.

Liquidity position: Adequate

The company has a strong liquidity position, with unencumbered cash and bank balance of Rs. 31 crore (adequate to cover 8 months of P+I) and debt servicing reserve account (DSRA) equivalent to one quarter of P+I (Rs. 11 crore in form of fixed deposits) as on December 31, 2022. Further, healthy operating cash flows are estimated to fully cover the debt obligations (approximately Rs. 4 crore per month in FY2024).

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant deleveraging and/or favorable change in debt structure leading to an improvement in the credit profile on a sustained basis.

Negative factors – The rating may be downgraded if there is any large vacancy and/or material decline in the rental rates and/or increase in leverage resulting in weakening of debt coverage metrics on a sustained metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1982, Safari Retreats Private Limited (SRPL) was earlier a subsidiary of Kolkata based Forum Projects Pvt. Ltd. At present, it is a part of Blackstone's Indian retail arm - Nexus Malls Group. The Blackstone group, through Nexus Malls, acquired 100% stake in the company from the Forum Group by July 2018.

Esplanade One, the company's mall at Bhubaneswar, has a total leasable area of 4.18 lakh square feet (sq.ft) and it opened to the public in the first quarter of FY2019. It has a well-diversified clientele and healthy occupancy level of 97% as on January 31, 2023.

Key financial indicators

SRPL Standalone	FY2021	FY2022	9MFY2023
	(Audited)	(Audited)	(Provisional)
Operating income	37.5	60.3	75.0
PAT	-7.2	-12.0	11.2
OPBDIT/OI	58.9%	69.0%	48.4%
PAT/OI	-19.2%	-19.9%	14.9%
Total outside liabilities/Tangible net worth (times)	5.7	7.0	5.2
Total debt/OPBDIT (times)	11.3	5.7	4.5
Interest coverage (times)	1.0	2.0	2.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on December 31, 2022 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021		
				Apr 14, 2023	-	Mar 30, 2022	Mar 04, 2021	Nov 06, 2020	Apr 14, 2020
1 Term loans	Long term	280.0	220.8	[ICRA]A- (Stable)	-	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- @

@ rating under watch with negative implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan-1	Aug-2018	9.15%	Mar-2029	250.0	[ICRA]A- (Stable)
NA	Term loan-2	Feb-2020	9.05%	Mar-2026	30.0	[ICRA]A- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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