

December 27, 2023

Brookefields Estates Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]BBB+ (Stable); reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the issuer rating for Brookefields Estates Private Limited (BEPL) factors in the established operational track record of Brookfields Mall, its attractive location, which has supported the healthy occupancy levels (99.9% as of September 2023) and the reputed tenant profile. The rating continues to draw comfort from BEPL's comfortable financial profile, characterised by strong leverage and debt coverage indicators, aided by the low external debt.

The rating, however, is constrained by the single asset concentration risk, and the exposure to adverse macroeconomic conditions and exogenous shocks such as the Covid-19 pandemic, which could impact the occupancy levels and mall's cash flows. The mall's operating metrics will also be vulnerable to competition from the existing and upcoming retail malls in the micromarket. Additionally, its financial profile may be impacted in case of any aggressive debt-funded capex plans, though there are no such plans at present. ICRA notes that BEPL is currently undertaking a residential real estate project through its wholly-owned subsidiary, Vishveshwara Developers LLP (VDLPP). The company's contribution is limited to land for the project, while the construction is being entirely undertaken by the joint development agreement (JDA) partner, Arihant Foundations and Housing Ltd (AFHL).

The Stable outlook on the rating reflects ICRA's opinion that BEPL will continue to maintain strong occupancy levels and comfortable financial profile.

Key rating drivers and their description

Credit strengths

Comfortable financial profile – BEPL's financial profile continues to be comfortable, characterised by strong leverage and coverage indicators because of the low external debt. The company had availed an external debt of Rs. 18.25 crore (Rs. 15.5 outstanding as of September 2023) for setting up a 5.2 MW of solar power plant for meeting 65-70% of the power requirement of the mall, the repayments of which are expected to be comfortably met from its cash flow from operations. As of March 2024, the company's leverage measured by Debt/Net Operating Income, is estimated to be strong at 0.17 times, while the DSCR is projected to be above 12 times. The revenues in FY2023 grew by 62% YoY to Rs. 101.1 crore, driven by reinstatement of rentals to pre-Covid level (the company offered rental discounts during FY2021-FY2022 due to Covid-19 pandemic), along with scheduled escalations. ICRA expects the operating revenues to grow by 5% in FY2024, while the operating profitability is likely to witness an improvement on the back of savings in power cost post commencement of its own solar power plant in September 2023.

Favourable location of mall – The Brookefields Mall is located in Coimbatore city and enjoys a favourable location with proximity to the railway station, bus stand, and connectivity to major commercial hubs of Coimbatore such as Gandhipuram – 100 Feet Road, Oppanakara Street, Town Hall, Nehru Stadium and R.S. Puram – D.B. Road. The mall also enjoys proximity to

highly affluent residential areas of Coimbatore, such as R.S. Puram, Racecourse, Gandhipuram and Saibaba Colony, ensuring healthy footfalls.

Established operational track record with healthy occupancy levels – The mall started operations in 2010 and has around 200 tenants in its premises at present. It houses some well-renowned premium brands such as SPI Cinemas (PVR Limited), Lifestyle, Max, WestSide, etc. A combination of attractive location and catchment area as well as robust mall management capabilities have enabled the mall to maintain strong occupancy levels, even during the Covid-19 pandemic-affected period. As of September 2023, the mall's occupancy remained at 99.9% against 99% as of October 2022.

Credit challenges

Single asset concentration risk – BEPL's dependence on a single asset (Brookefields Shopping Mall) exposes the entity to risks arising from any adverse changes in the operational profile of the asset, as well as competition from the existing and upcoming malls in Coimbatore.

Vulnerability to external factors such as outbreak of pandemic – The company is exposed to risks arising from adverse macroeconomic conditions and exogenous shocks such as Covid-19 pandemic, which could impact the occupancy levels and mall's cash flows.

Any unanticipated large debt-funded capex impacting financial profile – The company's financial profile remains exposed to any significant debt-funded capex plans, which could impact the leverage and debt coverage indicators. Nonetheless, there are no such plans as of now, which provides comfort. ICRA notes that BEPL is currently undertaking a residential real estate project through its wholly-owned subsidiary, VDLPP. The company's contribution is limited to land for the project, while the construction is being entirely undertaken by the JDA partner, AFHL.

Liquidity position: Adequate

BEPL's liquidity position is adequate. As on September 29, 2023, free cash and bank balance stood at Rs. 45.4 crore. The company's debt repayments for FY2024, FY2025 and FY2026 are Rs. 3.8 crore, Rs. 6.9 crore and Rs. 7.5 crore, respectively, are expected to be comfortably met from the cash flow from operations. In the past, the cash accruals have been utilised to pay dividends/buyback to the shareholders, given the absence of major investing cash outflows in the company. In FY2023, it had done a share buyback of Rs. 53.1 crore and another Rs. 55.0 crore of share buy-back is proposed by March 2024.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to demonstrate significant increase in scale while maintaining low leverage, and healthy liquidity position on a sustained basis.

Negative factors – Negative pressure on BEPL's rating could arise in case of a material decrease in occupancy/rental rates or delay in collections or significant increase in indebtedness adversely impacting the debt protection metrics and liquidity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has consolidated the financials of BEPL and its wholly-owned subsidiary VDLPP, given their business and financial linkages

About the company

Brookefields Estates Private Limited (BEPL) was incorporated in December 2004, with its registered office in Chennai, for constructing and operating a shopping mall in Coimbatore. It started the construction of the mall in 2006 on 5.49 acres of land. The construction of the mall was completed in 2010 and it has been operational since then.

At present, it manages the operations of the mall (commonly referred to as Brookefields Shopping Mall), with a carpet area of 4.95 lakh square feet. It was the first mall to be established in Coimbatore. At present, Brookefields has around 200 tenants (including kiosks and food outlets) in the mall. BEPL incorporated VD LLP, currently a wholly-owned subsidiary, in July 2019, for undertaking a residential real estate project in Chennai in the near term. VD LLP has entered a JDA with AFHL, wherein the construction will be handled by AFHL on the land provided by VD LLP.

Key financial indicators

BEPL	FY2021	FY2022	FY2023
Operating income	42.3	62.4	101.1
PAT	1.0	24.6	47.7
OPBDIT/OI	46.2%	63.8%	66.7%
PAT/OI	2.3%	39.5%	47.2%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	0.5
Total debt/OPBDIT (times)	0.1	0.1	0.0
Interest coverage (times)	1741.6	252.6	2380.0

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

Source: Company data

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Amount outstanding as on September 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Dec 27, 2023	Oct 27, 2022	Jul 30, 2021	-
1 Issuer rating	Long term	-	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable

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	Issuer rating	-	-	-	-	[ICRA]BBB+ (Stable)

Source: Company data

Annexure II: List of entities considered for consolidated analysis

Company Name	Relationship*	Consolidation Approach
Vishveshwara Developers LLP	100% (subsidiary)	Full Consolidation

Source: Company data

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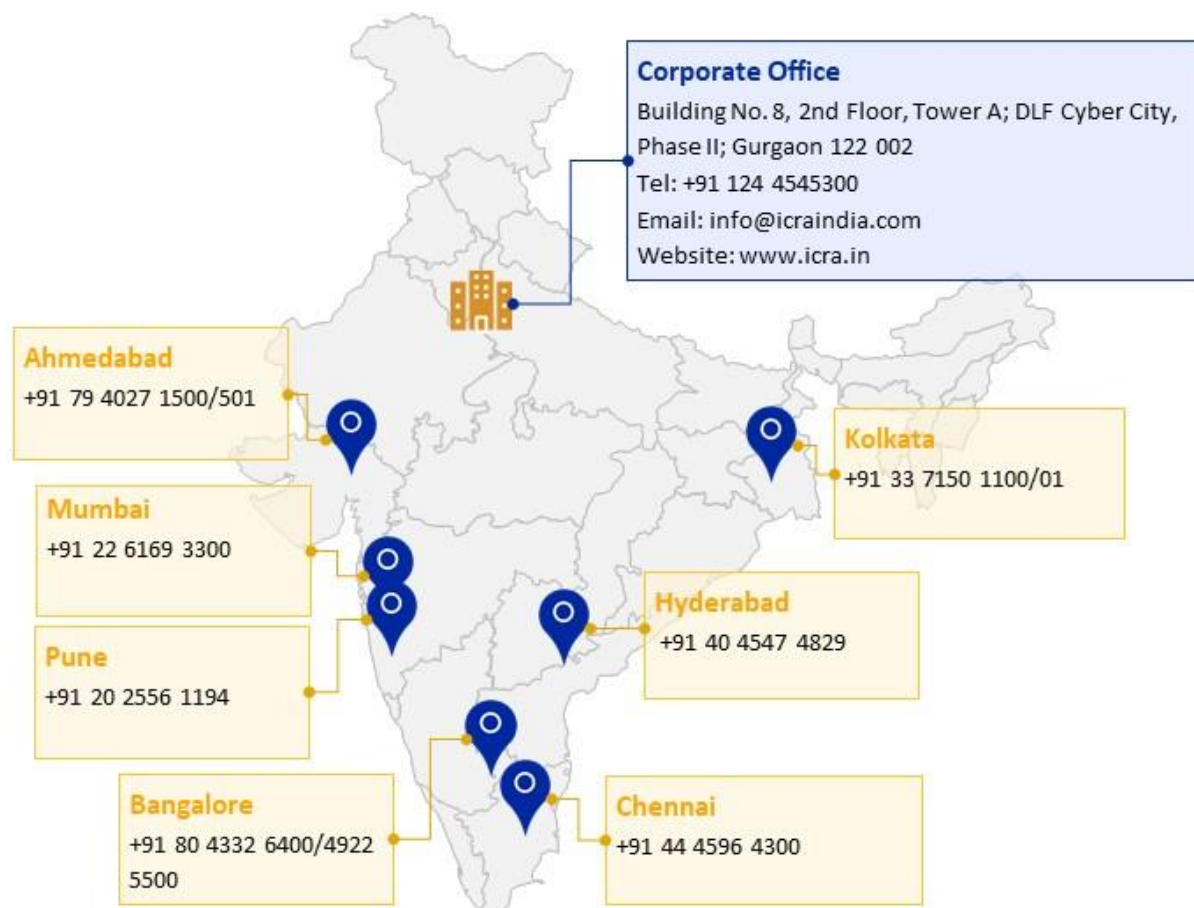


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