March 01, 2024

VR Dakshin Private Limited (formerly Sugam Vanijya Holdings Private Limited): Rating reaffirmed for Rs. 750 crore non-convertible debentures (NCD); rating reaffirmed and withdrawn for other instruments

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – NCD	750.0	750.0	[ICRA]BBB (Stable); reaffirmed
Long-term – NCD	562.5	0.0	[ICRA]BBB (Stable); reaffirmed and withdrawn
Long-term – Fund-based – Term loan	177.5	0.0	
Long-term – Fund-based – Cash credit	30.0	0.0	
Long-term – Non-fund based	20.0	0.0	
Total	**1540.0**	**750.0**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for VR Dakshin Private Limited (VRDPL, formerly Sugam Vanijya Holdings Private Limited) factors in the sustained healthy occupancy of 87% as of December 2023 in VR Chennai (VRC) mall and improvement in occupancy of VR Bengaluru (VRB) mall to 72% (including LOIs) as of January 2024 from 43% as of March 2023. In H1 FY2024, the company has raised Rs. 750-crore NCDs to refinance the outstanding debt (Rs. 512 crore o/s as on March 31, 2023) at Chennai mall, along with a top-up loan. The top-up amount was utilised towards part pre-payment of loan at Bengaluru mall, creation of debt service reserve account (DSRA) and other expenses. The balance (~Rs. 50 crore) is maintained as liquidity buffer at the company level to support cash flow mismatches if any. Despite the top-up, the leverage as measured by total external debt/annualised NOI is expected to be moderate at 6.6 times as of March 2024 and 5.7 times as of March 2025. The rating continues to factor in the established track record of the promoter group, VR South Asia, in developing and operating retail malls across multiple cities in India and the favourable location of the malls having an attractive catchment area.

The rating, however, remains constrained by moderate debt coverage metrics with five-year average (FY2024-FY2028) DSCR at 1.15 times due to top-up loan availed and slow ramp-up in occupancy of VRB mall. The lessee concentration risk is moderate as top five tenants occupy a total leased area of 37% in VRC and 53% in VRB. The revenue is exposed to volatility in occupancy caused by adverse macroeconomic conditions, which could impact the tenants' business risk profiles. Moreover, any termination of leases or delay in signing of new leases will impact the cash flows. The debt coverage ratios remain vulnerable to changes in interest rates.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that VRDPL will maintain healthy occupancy levels at VRC and expected ramp-up of operations at VRB, backed by its favourable location. Further, the outlook reflects ICRA's expectation that VRDPL will maintain adequate liquidity, along with sustenance of moderate leverage levels.

The rating assigned to the NCDs (Rs. 562.5 crore) and bank facilities has been withdrawn at the request of the company, based on the No Dues Certificate (NDC) received from the lenders and in accordance with ICRA's policy on withdrawal of credit rating.

Key rating drivers and their description

Credit strengths

Healthy occupancy in Chennai mall and improvement in occupancy for Bengaluru mall – The rating considers the sustained healthy occupancy at 87% for VRC as of December 2023 and improvement in occupancy for VRB to 72% (including LOIs) as of January 2024 from 43% as of March 2023. In H1 FY2024, the company has raised Rs. 750-crore NCDs to refinance the outstanding debt (Rs. 512 crore o/s as on March 31, 2023) at VRC, along with a top-up loan. The top-up amount was utilised towards part pre-payment of loan at VRB, creation of DSRA and other expenses. The balance (~Rs. 50 crore) is maintained as liquidity buffer at the company level to support cash flow mismatches if any.

Reputed parentage lends strong operational support – VRDPL is a subsidiary of Moribus Holding Pte Limited, which is 100% held by Virtuous Retail South Asia (VRSA). VRSA is a 23:77 joint venture (JV) between Xander (through Virtuous Retail Pte Limited) and APG Asset Management, a Dutch pension fund. The Group, at present, operates six retail malls in India with a total leasable area of over 4 million square feet (msf). ICRA derives comfort from the track record of Virtuous Retail in successful construction and operation of retail malls in India. VRDPL derives strong operational support. In the past, the VR Group has extended timely support to its subsidiaries towards meeting any funding mismatches.

Attractive catchment area – Both, VRB and VRC malls are conveniently located and have an attractive catchment area. While VRB is in Whitefield (Bengaluru), a suburb area, with commercial offices and residential development, VRC is in Anna Nagar (Chennai), which is a prime residential area. It is easily accessible from Kilpauk, Mogappair and Nungambakkam residential areas of Chennai.

Credit challenges

Moderate debt coverage metrics – The company has moderate debt coverage metrics with five-year (FY2024-FY2028) average DSCR at 1.15 times due to top-up loan availed and slow ramp-up in occupancy of Bengaluru mall. The leverage as measured by total external debt/annualised NOI is expected to be moderate at 6.6 times as of March 2024 and 5.7 times as of March 2025.

Moderate lessee concentration risk – The lessee concentration risk is moderate as top five tenants occupy a total leased area 37% in VRC and 53% in VRB. Any termination of leases or delay in signing of new leases will impact the cash flows.

Vulnerability of debt coverage indicators to changes in occupancy and interest rates – The revenue is exposed to volatility in occupancy caused by adverse macroeconomic conditions, which could impact the tenants' business risk profiles. The debt coverage ratios remain vulnerable to changes in interest rates.

Liquidity position: Adequate

The company's liquidity position is adequate, with unencumbered cash balance of ~Rs. 50.0 crore as of January 2024. VRDPL has principal repayment obligations of Rs. 10.5 crore and Rs. 25.9 crore in FY2024 and FY2025, respectively, which can be serviced through its estimated cash flow from operations and on balance sheet liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade VRDPL's rating if the company demonstrates a significant increase in occupancy levels of VR Bangalore mall, at adequate rates, resulting in an improvement in NOI and coverage metrics. Specific credit metrics that could lead to a rating upgrade include five-year average DSCR greater than 1.2 times on a sustained basis.

Negative factors – Negative pressure on VDRPL's rating could arise if there is a material decline in occupancy levels resulting in moderation in the coverage metrics. Further, significant increase in indebtedness or reduction in liquidity buffer may negatively impact the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) Policy On Withdrawal of Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the entity.

About the company

VR Dakshin Private Limited (VRDPL, formerly Sugam Vanijya Holdings Private Limited), incorporated in 1987, is involved in developing and operating commercial, retail and hotel properties, at Bengaluru and Chennai, namely VR Bengaluru and VR Chennai. The company is owned and funded by APG Asset Management and the Xander Group through a joint venture – Virtuous Retail South Asia Pte Ltd.

VRDPL operates two malls, in VR Bengaluru and VR Chennai, having a total leasable space of around 0.6 msf and 1.0 msf respectively, consisting of a retail mall with multiplex, restaurants, and other entertainment activities, 54-room hotel (named 'The Waverly', in Bangalore) and 20-room hotel (named 'Madras House', in Chennai) and office spaces (The Hive). As on date, the occupancy stood at around 72% (including LOIs) for VR Bangalore and around 87% for VR Chennai mall.

Key financial indicators

Standalone	FY2022	FY2023
	Audited	Audited
Operating income	173.6	198.2
PAT	-97.7	-93.5
OPBDIT/OI	55.6%	50.8%
PAT/OI	-56.3%	-47.2%
Total outside liabilities/Tangible net worth (times)	-5.0	-4.1
Total debt/OPBDIT (times)	14.6	13.8
Interest coverage (times)	0.6	0.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sl. No.	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021
					March 01, 2024	March 01, 2023	Jan 12, 2023	Jun 23, 2022	Jun 25, 2021	Jun 29, 2020
1	**Non-convertible debenture**	Long term	750.0	746.4	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-	-	-
2	**Non-convertible debenture**	Long term	562.5	-	[ICRA]BBB (Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)
3	**Fund-based – Term loan**	Long term	177.5	-	[ICRA]BBB (Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)
4	**Fund-based – Working capital**	Long term	30.0	-	[ICRA]BBB (Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)
5	**Non-fund based**	Long term	20.0	-	[ICRA]BBB (Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-Convertible Debenture	Simple
Fund-based - Term Loan	Simple
Fund-based - Working Capital	Simple
Non-fund Based	Very 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
INE084S07049	NCD - Series 1	April 2023	9.9%	March 2035	268.0	[ICRA]BBB (Stable)
INE084S07031	NCD - Series 2	April 2023	10.7%	March 2035	191.0	[ICRA]BBB (Stable)
INE084S07056	NCD - Series 3	April 2023	9.7%	March 2035	291.0	[ICRA]BBB (Stable)
INE084S07015	NCD	FY2018	-	FY2029	305.0	[ICRA]BBB (Stable); withdrawn
INE084S07023	NCD	FY2018	-	FY2029	167.5	[ICRA]BBB (Stable); withdrawn
NA	NCD*	-	-	-	90.0	[ICRA]BBB (Stable); withdrawn
NA	Term Loan	FY2018	-	FY2030	147.5	[ICRA]BBB (Stable); withdrawn
NA	Proposed Term Loan	-	-	-	30.0	[ICRA]BBB (Stable); withdrawn
NA	Overdraft	-	-	-	30.0	[ICRA]BBB (Stable); withdrawn
NA	Non-fund based	-	-	-	20.0	[ICRA]BBB (Stable); withdrawn

*Source: Company; *not placed*

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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