March 22, 2024

Merlin Acropolis Projects Pvt Ltd.: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working capital facilities	53.38	50.83	[ICRA]A (Stable); Reaffirmed
Fund-based – Term loans	201.62	257.40	[ICRA]A (Stable); Reaffirmed/ Assigned
Non-fund based – Bank guarantee^	(2.00)	(2.00)	[ICRA]A1; Reaffirmed
Long term/Short-term – Unallocated limits	0.00	26.77	[ICRA]A (Stable)/ [ICRA]A1; Assigned
Total	**255.00**	**335.00**	

**Instrument details are provided in Annexure-I; ^ sublimit of Working Capital Facilities*

Rationale

The reaffirmation of ratings for Merlin Acropolis Projects Pvt Ltd (MAPPL) factors in the sustained healthy occupancy for the Acropolis Mall at 98% as of September 2023 (91% as of June 2022), supported by its attractive location in Rajdanga Main Road, Kolkata, and the reputed tenant profile. Despite the estimated increase in the total external debt to Rs. 238 crore as of March 2024 and Rs. 252 crore as of March 2025 (FY2023 - Rs. 218 crore), MAPPL's leverage is expected to be adequate with total external debt/NOI around 5.8 times as of March 2024 and 5.9 times as of March 2025, on account of increased Net Operating Income (NOI) supported by rental escalations and healthy occupancy. The rating continues to draw comfort from the established market position of the Merlin Group[1], with a track record of over four decades in the real estate industry, particularly in and around Kolkata. The Group has strong project execution and sales capabilities, as demonstrated by consistent delivery of good quality projects covering more than 10 million square feet (msf) of area across residential, commercial, and retail segments.

The ratings, however, are constrained by the modest debt coverage metrics due to an expected increase in debt levels in FY2024 and FY2025 on account of sanctioned top-up of Rs. 80 crore on its LRD facility and corresponding rise in debt servicing obligations. ICRA expects the flagship company of the Group, Merlin Projects Limited (MPL), to provide timely financial support to MAPPL, for funding shortfall, if any, given their substantial financial linkages, its strategic importance for MPL and the latter's reputation sensitivity to default. MAPPL consistently receives interest income (Rs. 14.5 crore in FY2022 and Rs. 16.7 crore in FY2023) from the loans and advances extended to other group entities, which supports its liquidity and debt servicing ability. Timely receipt of interest income from the loans and advances to the group companies would remain critical from the credit perspective. MAPPL has an average cushion of Rs. 30 crore available in the form of overdraft limits in the last 12 months period ending February 2024, aiding its liquidity. The ratings also factor in the moderate lessee concentration risk, with the top three tenants occupying close to 42% of the total leasable area. Notwithstanding the comfortable weighted average lease expiry profile of the asset, the cash flows could be adversely impacted in case of an early termination of any of the anchor tenant leases. MAPPL's debt coverage metrics are vulnerable to changes in occupancies, rental realisations, and interest rates. Further, the company's dependence on a single asset for revenue generation exposes it to asset concentration risk.

The Stable outlook reflects ICRA's expectation that the company will continue to benefit from the strong promoter group, healthy occupancy levels of the mall, along with adequate leverage levels.

[1] Merlin Group includes its flagship entity - Merlin Projects Limited and all its subsidiaries/JV companies having ongoing projects, leased properties and/or outstanding debt.

Key rating drivers and their description

Credit strengths

Healthy occupancy levels and reputed lessee profile – Operational since 2015, the Acropolis Mall is favourably located in an upcoming commercial hub and thus, benefits from a populous catchment area, resulting in high overall occupancy of 98% as of September 2023. The properties have a diversified tenant profile and includes reputed anchors such as Shoppers Stop, Cinepolis, with no major lease falling due for renewal in the near term. The recovery in operational metrics since the lockdowns support the cash flows and debt coverage metrics.

Adequate leverage – Despite the estimated increase in total external debt to Rs. 238 crore as of March 2024 and Rs. 252 crore as of March 2025 (FY2023 - Rs. 218 crore), MAPPL's leverage is expected to be adequate with total external debt/NOI around 5.8 times as of March 2024 and 5.9 times as of March 2025, on account of increased Net Operating Income (NOI) supported by rental escalations and healthy occupancy. The company maintains a DSRA equivalent to one quarter of interest and principal repayment and the receivables are routed through an escrow mechanism, which prioritises debt servicing.

Strong sponsor group with an established market position in eastern India – The Merlin Group has an established track record of over four decades in the real estate industry, particularly in and around Kolkata. The Group has strong project execution and sales capabilities, as demonstrated by consistent delivery of good quality projects covering more than 10 msf of area across residential, commercial, and retail segments. The Group also has a leased retail portfolio of around 0.3 msf across two properties, with average occupancy level of around 98% as of September 2023.

Credit challenges

Modest debt coverage metrics – The ratings are constrained by the modest debt coverage metrics due to an expected increase in debt levels in FY2024 and FY2025 on account of sanctioned top-up of Rs. 80 crore on its LRD facility and corresponding rise in debt servicing obligations. ICRA expects the flagship company of the Group, Merlin Projects Limited (MPL), to provide timely financial support to MAPPL, for funding shortfall, if any, given their substantial financial linkages, its strategic importance for MPL and the latter's reputation sensitivity to default. MAPPL consistently receives interest income (Rs. 14.5 crore in FY2022 and Rs. 16.7 crore in FY2023) from the loans and advances extended to other group entities, which supports its liquidity and debt servicing ability. Timely receipt of interest income from the loans and advances to the group companies would remain critical from the credit perspective. MAPPL has an average cushion of Rs. 30 crore available in the form of overdraft limits in the last 12 months period ending February 2024, aiding the company's liquidity. MAPPL's debt coverage metrics are vulnerable to changes in occupancies, rental realisations, and interest rates.

Moderate tenant concentration and asset concentration risks – The ratings factor in the moderate lessee concentration risk, with top three tenants occupying close to 42% of the total leasable area. Notwithstanding the comfortable weighted average lease expiry profile of the asset, the cash flows could be adversely impacted in case of an early termination of any of the anchor tenant leases.

Liquidity position: Adequate

The rental collections together with interest income on group company loans are likely to remain adequate to meet the corresponding asset costs and debt obligations. The company's liquidity is further supported by presence of significant undrawn overdraft limit. The utilisation of the sanctioned OD limits of Rs. 50.8 crore during December 2022 to February 2024 remained low at 37%. Further, as of February 2024, the undrawn OD limit stood at around Rs. 40 crore.

Rating sensitivities

Positive factors – Significant reduction in indebtedness resulting in improvement in debt coverage metrics, along with improvement in the credit profile of the parent, MPL, could favourably impact the ratings.

Negative factors – Negative pressure on the ratings could arise if a sustained pressure on occupancy or rental rates or increase in indebtedness impacts the debt protection metrics. Further, any deterioration in the credit profile of the parent, MPL or weakening in the operational and financial linkages with the parent could exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting
Parent/Group support	**Support Provider: Merlin Projects Limited (MPL)** ICRA expects the flagship company of the Group, Merlin Projects Limited (MPL), to provide timely financial support to MAPPL, for funding shortfall, if any, given their substantial financial linkages, MAPPL's strategic importance for MPL and MPL's reputation sensitivity to default.
Consolidation/Standalone	Standalone

About the group

The Kolkata-based Merlin Group has over four decades of experience in the realty sector. The Group has developed over 100 residential and commercial complexes and 150 independent bungalows, with a total constructed area more than 10 msf, mostly in and around Kolkata. The Group has some presence in other parts of India with various residential and commercial projects at Chennai, Chhattisgarh, Pune, Bhubaneswar, and Ahmedabad. Merlin Project Limited (MPL) is the flagship entity of the Merlin Group and was established in 1976 as a partnership firm and converted to a public limited company in 1992.

About the company

Merlin Acropolis Projects Pvt Ltd. was established in 2009 for developing a stadium and a commercial complex under a Public Private Partnership model with the Kolkata Metropolitan Development Authority. The company developed Acropolis Mall, (total leasable area 0.26 msf.) which comprises 3B+G+18 floors and is located on Rajdanga Main Road in Kolkata. 3B+G+4 is dedicated to the mall and floors 5th to 18th are for commercial office space. The mall and 5th floor of the commercial office space lies under MAPPL, with the remaining office space from 6th to 18th floor is in a group company, MPL.

Key financial indicators (audited)

MAPPL (Standalone)	FY2022	FY2023
Operating income	28.0	38.8
PAT	12.2	24.5
OPBDIT/OI	92.2%	90.3%
PAT/OI	43.7%	63.2%
Total outside liabilities/Tangible net worth (times)	2.6	2.2
Total debt/OPBDIT (times)	7.8	6.2
Interest coverage (times)	1.5	2.3

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

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Mar 22, 2024	Dec 27, 2022	Sep 21, 2021	Jun 05, 2020
1	**Working capital facilities**	Long-term	50.83	-	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**
2	**Term loans**	Long-term	257.40	225.68	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**
3	**Bank guarantee^**	Short- term	(2.00)	-	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**
4	**Unallocated limits**	Long term /Short term	26.77	-	**[ICRA]A (Stable)/ [ICRA]A1**	-	-	-

^ sublimit of Working Capital Facilities

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Working capital facilities	Simple
Long-term - Term loans	Simple
Short-term - Bank guarantee	Simple
Long-term/ Short-term – Unallocated limits	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	Working capital facilities	NA	NA	NA	50.83	[ICRA]A (Stable)
NA	Term loans	May 2019	-	FY2039	257.40	[ICRA]A (Stable)
NA	Bank guarantee^	NA	NA	NA	(2.00)	[ICRA]A1
NA	Unallocated limits	NA	NA	NA	26.77	[ICRA]A (Stable)/ [ICRA]A1

Source: Company data; ^ sublimit of Working Capital Facilities

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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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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