May 28, 2024

West Pioneer Properties (India) Private Limited: Ratings reaffirmed and removed from Issuer Non Cooperating

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based - Term loan-I	110.00	110.00	[ICRA]BB(Stable); reaffirmed and removed from Issuer Not Cooperating category
Non-fund based - Bank guarantee	2.00	2.00	[ICRA]A4+; reaffirmed and removed from Issuer Not Cooperating category
Total	**112.00**	**112.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of ratings for the bank facilities of West Pioneer Properties (India) Private Limited (WPPIPL) factors in the expected moderate improvement in the rentals of its malls (Metro Plaza and Metro Junction) and collections from residential project in FY2025. This, along with reduction in total external debt supported by prepayments and repayment as per amortisation schedule, is likely to lead to comfortable leverage metrics with total external debt/CFO in the range of 1.5-1.7 times as of March 2025 (PY: 2.4 times). The leverage for the malls is also comfortable with debt/NOI at 2.7 times as of March 2024. The rentals of the malls improved by about 14% to Rs. 45 crore in FY2024, supported by increase in occupancy and rental escalations. The collections for residential project increased by ~7% to Rs. 59 crore in FY2024 backed by improved sales velocity. The ratings continue to factor in the reputed tenant profile and favourable location of the malls and the proven experience of the promoter in the real estate industry.

The ratings are, however, constrained by the market risk associated with the consolidated vacancy of 30% in the malls and modest debt coverage metrics of the malls. The ratings are also constrained by the moderate market and execution risks in the residential project with 46% of cumulative area to be sold and 19% of the cost to be incurred as of March 2024. Further, the cash flow adequacy was modest at 34% as of March 2024 with committed receivables at Rs. 22 crore, while pending cost is around Rs. 65 crore. The project has faced cost overrun of around Rs. 20 crore, mainly on increase in overhead expense. Hence, there is dependence on incremental sales and collections to meet the pending project cost and complete the project by December 2024 as per RERA timeline. The ratings are also constrained by the modest debt coverage metrics for the malls in FY2025 and FY2026, along with high tenant concentration risk with the top-five tenants accounting for ~50% of the total rental income.

The Stable outlook reflects ICRA's opinion that the company will be able to improve the occupancy in the malls, achieve adequate sales and collections from the ongoing residential project and improve the debt coverage metrics.

ICRA has also removed its earlier rating of [ICRA]BB (Stable)/[ICRA] A4+; ISSUER NOT COOPERATING for the bank facilities of West Pioneer Properties (India) Private Limited from the ISSUER NOT COOPERATING, as the company has now started cooperating based on fee.

Key rating drivers and their description

Credit strengths

Favourable location with reputed tenant profile for the malls; expected moderate increase in rentals – The lease rentals have improved by ~14% to Rs. 45 crore in FY2024, supported by increased occupancy in Metro Plaza as well as timely escalation in rental rates for both the malls (Metro Plaza and Metro Junction). The rentals are expected to improve further by about 5-7% each in FY2025 and FY2026, backed by healthy leasing pipeline and reputed tenant profile along with favourable location of both the malls.

Improvement in collections for residential project – The residential project has witnessed improvement in the sales velocity leading to improvement in the collection by ~7% to Rs. 59 crore in FY2024, achieving collection efficiency of 88% on total sale value of Rs. 190 crore. With expectations of increasing sales velocity and timely collections in FY2025 and FY2026 also, the company will be able to comfortably fund pending cost of the project.

Debt reduction leading to comfortable leverage metrics at consolidated level – The company has prepaid Rs. 8.1 crore in FY2024 of the outstanding ECLGS loan. The prepayment was funded through the promoter contribution/sale of non-core assets held under the subsidiary companies. The overall external debt has decreased to around Rs. 87 crore as of April 2024 from Rs. 107.9 crore as of March 2023, leading to comfortable leverage metrics at consolidated levels with total external debt/CFO of 1.5-1.7 times as of March 2025 (PY: 2.4 times). The leverage for the malls is also comfortable with debt/NOI at 2.7 times as of March 2024.

Credit challenges

Market risk and high tenant concentration for malls; modest debt coverage indicators – The malls face high tenant concentration risk with the top-five tenants accounting for ~50% of the total rental income. Further, due to moderate occupancy of around 70% in Metro Junction and 77% in Metro Plaza Mall, the debt coverage metrics remain modest with DSCR at 1.2 times in FY2024 and expected to be in the range of 1.0-1.1 times in FY2025 and FY2026. However, DSCR at consolidated level remains comfortable at 1.9 times in FY2024 and expected to be in the range of 1.4-13.4 times in FY2025 and FY2026.

Exposed to market risk for ongoing residential project – The residential project of the company is exposed to moderate market risk due to low sales with 46% of the cumulative area to be sold as of March 2024. Further, the cash flow adequacy is modest at 34% as of March 2024 with low committed receivables at Rs. 22 crore, whereas pending cost is around Rs. 65 crore.

Moderate execution risk for residential project – The residential project faces moderate execution risk with pending cost of around Rs. 65 crore (19% of the total cost of Rs. 347 crore). The project has faced cost overrun of around Rs. 20 crore, mainly on increase in overhead expense. Hence, there is dependence on incremental sales and collections to meet the pending project cost and complete the project by December 2024 as per RERA timeline. ICRA notes that the promoters have infused adequate funds in the past to meet the project cost till date.

Liquidity position: Adequate

The company has an adequate liquidity position, with unencumbered cash and bank balance of Rs. 15.2 crore and committed receivables of around Rs. 22 crore as of March 2024. The company's debt repayment obligation for FY2025 is Rs. 14.4 crore, which is estimated to be met through its cash flow from operations.

Rating sensitivities

Positive factors – The ratings may be upgraded, if significant improvement in the malls' occupancy, at adequate rental rates, improves the debt coverage indicators, coupled with timely completion of the residential project.

Negative factors – Pressure on the ratings could arise, in case of any significant reduction in the malls' occupancy and rental inflows or slowdown in sales and/or collection in the residential project or a substantial increase in indebtedness, adversely impacting the debt protection metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty- Commercial/Residential/Retail Realty- Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

WPPIPL, incorporated in December 2004, is a Mumbai-based real-estate development company promoted by the Jatia Group. The Group has been operating the retail outlets of a well-known brand in southern and western India. It is involved in the construction of shopping malls and leasing of commercial space therein, along with the development and sale of residential apartments. Till date, the company has developed a mall, a residential project and a commercial plaza with a total saleable area of 9,53,551 sq. ft. (approximately) on 16 acres of land in Kalyan (East) near Mumbai. WPPIPL is, at present, developing a residential project (Metro Grande) with a total saleable area of 5,60,161 sq. ft., as a part of this 16-acre land project in Kalyan (East). The project was launched in May 2016 and the scheduled completion date is in December 2024.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	23.2	99.1
PAT	-10.9	13.6
OPBDIT/OI	20.4%	32.2%
PAT/OI	-47.0%	13.7%
Total outside liabilities/Tangible net worth (times)	4.5	4.0
Total debt/OPBDIT (times)	48.7	6.3
Interest coverage (times)	0.6	2.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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 (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of April 25, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					May 28, 2024	May 10, 2023	Jul 29, 2022	April 08, 2021
1	Term Loans	Long-term	110.0	87.0	[ICRA]BB (Stable)	[ICRA]BB (Stable); ISSUER NOT COOPERATING	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Fund based Working Capital Limit	Long-term	-	-	-	-	[ICRA]BB (Stable); Withdrawn	[ICRA]BB (Stable)
3	Fund Based Limit	Short-Term	-	-	-	-	[ICRA]BB (Stable); Withdrawn	[ICRA]BB (Stable)
4	Non-fund-based Limit	Short-term	2.0	-	[ICRA]A4+	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A4+	[ICRA]A4+
5	Unallocated	Long-term	-	-	-	-	[ICRA]A4+; withdrawn	[ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan I	Simple
Short-term – Non-fund based – Bank guarantee	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
-	**Term loan I**	June 2016	8.95%	Dec 2028	110.0	[ICRA]BB (Stable)
-	**Bank guarantee**	NA	NA	NA	2.0	[ICRA]A4+

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.

ANALYST CONTACTS

Rajeshwar Burla
+91 040 6939 6443
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 040 6939 6427
anupama.reddy@icraindia.com

Neha Mittal
+91 124 454 5365
neha.mittal@icraindia.com

Lokesh Patni
+91 124 454 5327
lokesh.patni@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches