July 03, 2024

Shalimar Malls Private Limited: Ratings Assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Term loan	94.97	[ICRA]BBB- (Stable); assigned
Short-term – Non fund based – Bank guarantee	5.03	[ICRA]A3; assigned
Total	**100.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action for Shalimar Malls Private Limited (SMPL) favourably factors in the Shalimar Group[1]'s established track record in real estate sector in Uttar Pradesh, favourable location of its retail mall and adequate debt protection metrics. ICRA expects SCL to extend extraordinary support to SMPL, if need arises, given their financial linkages, strategic importance, and SCL's reputation sensitivity to default. SCL had provided funding support of Rs. 195.3 crore to SMPL as of March 2024. The mall is connected to Alambagh Metro Railway Station in Lucknow and has a good connectivity to various business and residential suburbs of Lucknow. The mall has a reputed tenant profile . SMPL's external debt declined by 34% to Rs. 94.6 crore as of March 2024 supported by funding from promoters. This, along with refinancing of the debt with elongated tenure and back-ended repayments, led to lower debt obligations in the medium term. Consequently, the leverage, measured by gross debt/cash flow from operations (CFO) and debt coverage metric, DSCR, are estimated to be adequate at 6.3-6.7x and 1.3-1.5x, respectively, in FY2025 and FY2026.

The ratings are, however, constrained by the mall's moderate occupancy level of 74% as of March 2024 and high tenant concentration risks, with the top five tenants occupying around 64% of the total leasable area. The risk is mitigated partly as there are no major lease renewals in the near term. SMPL has developed a hotel and banquet which commenced operations in May 2024 and given the lack of track record, its ability to ramp-up the hotel operations in a timely and profitable manner remains to be seen. Additionally, SMPL faces geographical concentration risk as all the assets are concentrated in a single location. The debt coverage ratios will be sensitive to volatility in interest rates and occupancy levels.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that the company will benefit from the favourable location of the project supporting the ramp-up of hotel operations and stable mall revenues and sustain adequate debt protection metrics.

Key rating drivers and their description

Credit strengths

Established track record of the Group in Uttar Pradesh real estate sector – The Shalimar Group is a diversified business house headquartered in Lucknow, spanning sectors such as residential and commercial real estate, property management, various

[1] *Apart from Shalimar Malls Pvt Ltd (SMPL), Shalimar Group includes the Group's flagship entity- Shalimar Corp Limited (SCL) and its subsidiaries, ANS Developers Pvt Ltd (ANS), and Shalimar KSMB Projects (SKP), which are involved in real estate operations and are expected to have fungibility in terms of cash flows with common managerial linkages. The Group also includes Shalimar Road Infrastructures Private Limited (74% stake of SCL) which undertakes HAM projects, wherein SCL's contribution is expected to be limited to its equity contribution for the projects and corporate guarantee provided.*

allied services, civil construction, imports and exports and glass processing, etc. The Group is among the market leaders in the real estate sector in Lucknow. It enjoys an established position and strong brand name in Uttar Pradesh, with a diversified asset portfolio and a track record of over 30 years.

Favourable location of the project – The mall is connected to Alambagh Metro Railway Station in Lucknow and has a good connectivity to various business and residential suburbs of Lucknow through road and railways and has a reputed tenant profile including Lifestyle, Reliance Smart, Westside, Pantaloons, Max, etc.

Adequate debt protection metrics – SMPL's external debt declined by 34% to Rs. 94.6 crore as of March 2024 supported by funding from promoters. This, along with refinancing of the debt with elongated tenure and back-ended repayments, led to lower debt obligations in the medium term. Consequently, the leverage, measured by gross debt/cash flow from operations (CFO) and debt coverage metric, DSCR, are estimated to be adequate at 6.3-6.7x and 1.3-1.5x, respectively, in FY2025 and FY2026.

Credit challenges

Moderate occupancy levels and high tenant concentration risk; lack of track record of operations for hotel – The company is exposed to market risk on account of moderate occupancy level of ~74% as of March 2024. SMPL has developed a hotel and banquet which commenced operations in May 2024 and given the lack of track record, its ability to ramp-up the hotel operations in a timely and profitable manner remains to be seen.

Exposed to high tenant and geographical concentration risks – The company is exposed to high tenant concentration risks, with the top five tenants occupying around 64% of the total leasable area. The risk is mitigated partly as there are no major lease renewals in the near term. Further, the company faces geographical concentration risk as all the assets are concentrated in a single location.

Vulnerability of debt coverage ratios – The debt coverage ratios will be sensitive to volatility in interest rates and occupancy levels.

Liquidity position: Adequate

The company had free cash and bank balance of Rs. 0.5 crore as of March 2024. It has scheduled repayments of Rs. 0.2 crore in FY2025 and Rs. 0.5 crore in FY2026, which can be met comfortably from its cash flows from operations.

Rating sensitivities

Positive factors– The ratings may be upgraded if there is a significant improvement in occupancy at adequate rent rates or reduction in debt leads to substantial improvement in coverage metrics, on a sustained basis.

Negative factors– Pressure on the ratings could emerge if there is significant reduction in occupancy levels impacting the rental inflows or substantial increase in indebtedness resulting in deterioration in debt protection metrices of the company. A deterioration of the credit profile and weakening of financial linkages with its parent company will trigger a downward movement of SMPL's ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) Rating Methodology- Hotels
Parent/Group support	Parent/Group: Shalimar Corp Limited

	ICRA expects SCL to extend extraordinary support to SMPL, if need arises, given their financial linkages, strategic importance, and the parent's reputation sensitivity to default.
Consolidation/Standalone	Standalone

About the company

Shalimar Malls Pvt Ltd (SMPL) was established in 2014 by the Lucknow-based Shalimar Group. Shalimar Corp Limited (SCL), the flagship company of the Group's real estate business holds a 90% stake in SMPL. The company has been set up to construct an inter-state bus terminal in Alambagh, Lucknow, along with a commercial and retail area under the public private partnership mode.

The Uttar Pradesh State Road Transport Corporation (UPSRTC) had entered into a public private partnership (PPP) model for the first time under which a land area of approx. 24,200 sqm had been given for 32 years. The concessionaire (SMPL) constructed an inter-state bus terminal, in Alambagh, Lucknow (Phase I) on a Design, Build, Finance, Operate and Transfer (DBFOT) basis. In return, it received an extended area for building a commercial and retail mall (Phase II) on the adjacent land from the UPSRTC and earn rental income for the concession period of 32 years. Subsequently, the company constructed a commercial mall of 0.27 msf on the land, which became operational in March 2020 and had 74% occupancy as of March 2024. The company has also developed a hotel (104 rooms) and banquet (Shalimar Hometel) under the Sarovar Group of Hotels, which is operational from May 2024.

Key financial indicators (audited)

	FY2023	FY2024*
Operating income	8.5	20.3
PAT	-24.6	-21.1
OPBDIT/OI	7.6%	40.2%
PAT/OI	-291.2%	-103.9%
Total outside liabilities/Tangible net worth (times)	-8.1	-5.7
Total debt/OPBDIT (times)	455.0	38.5
Interest coverage (times)	0.0	0.3

*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; ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore*

Status of non-cooperation with previous CRA:

CRA	Status	Date of release
Infomerics	IVR BBB- (CE) (Negative) (ISSUER NOT COOPERATING)/IVR A3 (CE) (ISSUER NOT COOPERATING) & Downgraded	Mar 15, 2024
Brickwork	[BWR]BB (Stable)/[BWR]A4, Issuer Not Cooperating & Withdrawn	Jun 28, 2022
CRISIL	[CRISIL]BB- (Stable)/[CRISIL]A4+, Issuer Not Cooperating & Withdrawn	Mar 29, 2018

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)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				July 03, 2024	-	-	-
1	Term loan	Long-term	94.97	[ICRA]BBB- (Stable)	-	-	-
2	Non fund based – Bank guarantee	Short-term	5.03	[ICRA]A3	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based – Term Loan	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
NA	Term Loan	Dec 06, 2023	9.8	2039	94.97	[ICRA]BBB- (Stable)
NA	Non-Fund Based-Bank Guarantee	Dec 06, 2023	NA	NA	5.03	[ICRA]A3

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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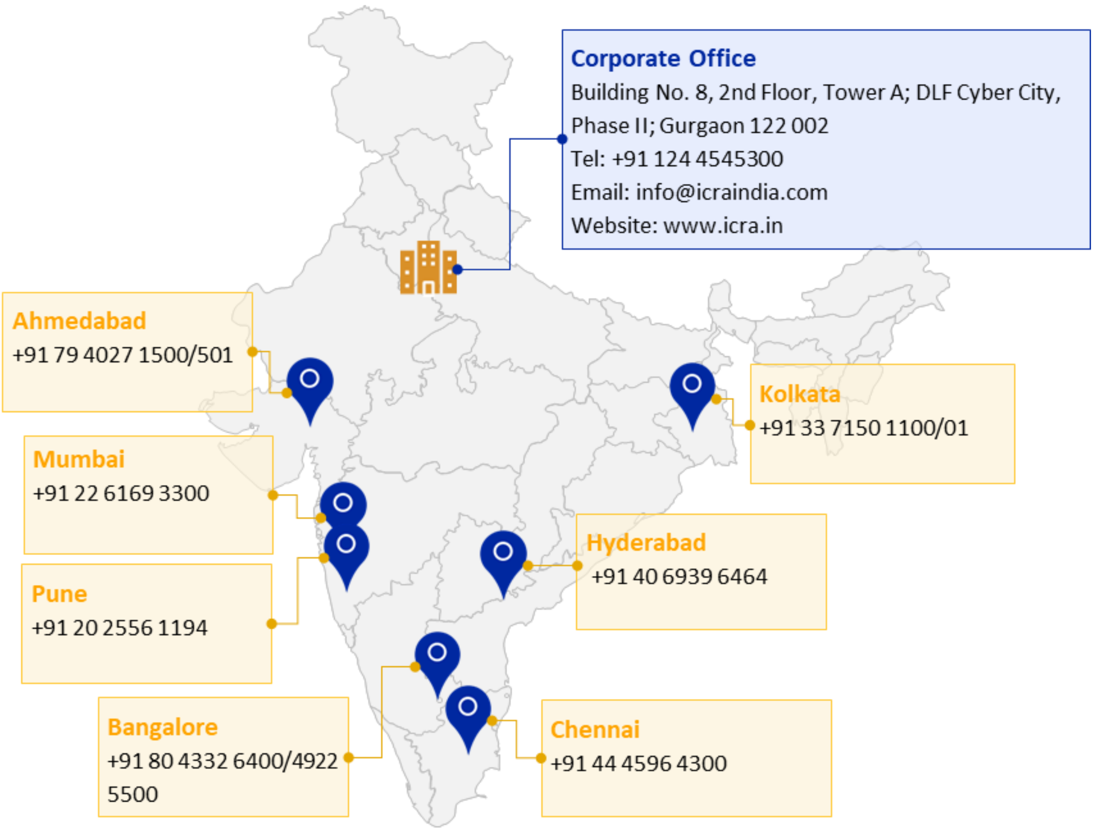

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