

July 19, 2024

## Arliga Galleria (India) Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	268.00	254.00	[ICRA]BBB (Stable); reaffirmed
<b>Total</b>	<b>268.00</b>	<b>254.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation of Arliga Galleria (India) Private Limited (AGIPL) continues to derive comfort from strong financial flexibility being part of the Brookfield Group, improvement in occupancy levels, favourable location of the project and reputed tenant profile. AGIPL is part of one of the largest real-estate investment managers globally – the Brookfield Group with established track record and presence of more than a decade in India with ~USD 8.7 billion of asset under management (AUM) as of March 2024. The rating factors in the improved occupancy of The Galleria Mall under AGIPL to 96% as of May 2024 (PY: 92%) which is expected to sustain going forward, with low lease expiries over the medium term. The mall is situated at a favourable location – Yelahanka, Bengaluru, along with reputed tenants including Inox-PVR, Lifestyle, Reliance Digital, Max Hypermarket and Global Kitchen, etc., with top 5 tenants contributing to 36% of total minimum guaranteed rentals (as of May 2024).

The rating is, however, constrained by high leverage levels and consequently modest debt coverage metrics. The sponsor is expected to maintain adequate liquidity in the special purpose vehicle (SPV) and support the cash flow mismatches, if any, as demonstrated in the past. In last 15 months, AGIPL has received Rs. 27 crore from the Group in the form of intercorporate deposits to support its liquidity and debt servicing. AGIPL is also exposed to geographical and asset concentration risks, which are inherent in companies with single projects. The debt protection metrics would remain vulnerable to material changes in occupancy or interest rates.

The Stable outlook on the rating reflects ICRA's opinion that AGIPL will continue to benefit from the financial flexibility that arises from being a part of the Brookfield Group, favourable asset location and healthy occupancy level.

### Key rating drivers and their description

#### Credit strengths

**Strong sponsor group with established track record** – The Brookfield Group is one of the largest real-estate investment managers globally with an established track record and presence of more than a decade in India with ~USD 8.7 billion of AUM as of March 2024. AGIPL, being a part of the Brookfield Group, enjoys strong financial flexibility. The sponsors in the past have infused funds to support the company's liquidity and debt servicing. In last 15 months, AGIPL has received Rs. 27 crore from the Group in the form of intercorporate loans.

**Favourable location, healthy occupancy, and reputed tenant profile** – The Galleria Mall, with a total leasable area of 0.315 msf, has a healthy occupancy which improved to 96% as of May 2024 (PY: 92%) along with an improvement in the weighted average minimum guarantee (MG) rentals. The mall is situated at a favourable location - Yelahanka, Bengaluru, which is a primary catchment area of the mall and has established residential development supporting demand prospects. Galleria Mall houses reputed tenants including Inox-PVR, Lifestyle, Reliance Digital, Max Hypermarket and Global Kitchen etc., with top 5 tenants contributing to 36% of total minimum guaranteed rentals (as of May 2024).

### Credit challenges

**High leverage and modest debt coverage metrics** – The company has high leverage levels and consequently modest debt coverage metrics. ICRA expects that the sponsor is expected to maintain adequate liquidity in the special purpose vehicle (SPV) and support the cash flow mismatches, if any, as demonstrated in the past. In last 15 months, AGIPL has received Rs. 27 crore from the Group in the form of intercorporate loans to support its liquidity and debt servicing.

**Exposed to geographical and asset concentration risks; vulnerability to external factors** – AGIPL is exposed to geographical and asset concentration risks, which are inherent in companies with single projects. In addition, its revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profile. The profitability remains exposed to volatility in occupancy or interest rates.

### Liquidity position: Stretched

The liquidity position of the company is stretched. AGIPL had unencumbered cash balance of Rs. 11.2 crore as on May 31, 2024, apart from DSRA balance of 3 months' interest of Rs. 8.5 crore. While ICRA anticipates some shortfall in the operational cash flows for meeting the debt servicing obligations in FY2025, the company's liquidity available in the form of free cash balances along with support in the form of loans and advances from Group companies are likely to bridge the gap.

### Rating sensitivities

**Positive factors** – ICRA could upgrade AGIPL's rating if the company demonstrates significant growth in rental income or a healthy reduction in leverage resulting in an improvement in coverage metrics and liquidity position on a sustained basis. Specific credit metrics that could lead to a rating upgrade include 5-year average DSCR greater than 1.2 times on a consistent basis.

**Negative factors** – Negative pressure on AGIPL's rating could arise if there is a material decline in occupancy levels or rent rates or significant increase in indebtedness resulting in weakening of debt coverage and leverage metrics and liquidity position on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty - Lease Rental Discounting (LRD)</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

AGIPL owns a retail property, The Galleria Mall, with 0.315 msf of leasable area at Yelahanka, Bengaluru. The mall opened in September 2018 and had healthy occupancy level of 96% as of May 2024. It has a reputed clientele including brands like PVR-Inox, Lifestyle, Reliance Digital, Max Hypermarket and Global Kitchen, among others. AGIPL is currently 100% held by BSREP III

New York II (DIFC) Limited (ultimately held by the Brookfield Group), post-acquisition by the Brookfield Group from the RMZ Group in FY2021.

#### Key financial indicators

	FY2023	FY2024
In Rs. crore	Audited	Provisional
Operating income	50.4	62.7
PAT	- 61.7	- 65.4
OPBDIT/OI	30.2%	30.7%
PAT/OI	-122.3%	-104.4%
Total outside liabilities/Tangible net worth (times)	- 2.0	- 1.8
Total debt/OPBDIT (times)	37.3	29.6
Interest coverage (times)	0.2	0.2

Source: Company, ICRA Research; 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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
		(Rs. crore)	19-Jul-24	04-Aug-23	29-Jun-22	06-Apr-21
1 Term loan	Long-term	254.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)

#### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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	FY2019	NA	FY2034	254.00	[ICRA]BBB(Stable)

Source: Company, ICRA Research

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

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