

August 09, 2024

Salsette Developers Private Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]A (Stable); Assigned
Total	-	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating for Salsette Developers Private Limited (SDPL) favourably factors in the long operating track record of the Viviana Mall in Thane spanning over a decade with healthy leasing occupancy (99% as of May 2024), and the comfortable leverage and debt coverage metrics for the project. SDPL's rentals improved by 7% CAGR during FY2020-FY2024, backed by an increase in rental rates and are expected to improve by 5-7% in FY2025. ICRA estimates the leverage measured by total external debt/Net operating income (NOI) to remain at around 5.0 times as of March 2025, while the five-year average DSCR is estimated to remain comfortable at 1.30 – 1.35 times in FY2025-FY2029. Viviana Mall is favourably located at Eastern Express Highway in Thane West. The mall is surrounded by the major residential area in Thane with good social infrastructure, which is likely to augment healthy footfalls. The rating positively notes in the strong sponsor profile of Lake Shore India Retail Venture Fund (LSIRVF), an Alternate Investment Fund, which is backed by Abu Dhabi Investment Authority (ADIA, the sovereign wealth fund of Abu Dhabi). LSIRVF has portfolio of five operational retail assets with a total leasable area of around 2.4 million square feet (msf) and three under-construction assets with a total leasable area of around 2.0 msf.

The rating, is however, exposed to refinancing risk for the non-LRD loan of Rs. 335 crore, which has a bullet repayment in May 2026, though the risk is mitigated to an extent on account of the healthy NOI from the mall, which allows it sufficient headroom to raise additional LRD loan for refinancing this non-LRD loan. The rating is constrained by the geographical and asset concentration risks, which are inherent in companies with a single project. SDPL's revenues are also exposed to adverse macroeconomic and external conditions, which could impact the tenant's business profile. The debt coverage metrics would remain vulnerable to material changes in occupancy and interest rates.

The Stable outlook reflects ICRA's expectation that SDPL will be able to sustain healthy occupancy levels, supported by the mall's favourable location and maintain comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Long operational track record of maintaining healthy occupancy levels; comfortable debt protection metrics – The mall has long operating track record of over a decade with healthy leasing occupancy (99% as of May 2024). SDPL's rentals improved by 7% CAGR during FY2020-FY2024, backed by an increase in rental rates and are expected to improve by 5-7% in FY2025. ICRA estimates the leverage measured by total external debt/Net operating income (NOI) to remain at around 5.0 times as of March 2025, while the five-year average DSCR is estimated to remain comfortable at 1.30 – 1.35 times in FY2025-FY2029.

Favourable location of asset – Viviana Mall is favourably located at Eastern Express Highway in Thane West and the mall is surrounded by the major residential area in Thane with good social infrastructure, which is likely to augment healthy footfalls.

Strong sponsor profile – SDPL is entirely owned by Lake Shore India Retail Venture Fund (LSIRVF), an Alternate Investment Fund, which is backed by Abu Dhabi Investment Authority (ADIA, the sovereign wealth fund of Abu Dhabi). LSIRVF has portfolio

of five operational retail assets with a total leasable area of around 2.4 msf and three under-construction assets with a total leasable area of around 2.0 msf.

Credit challenges

Refinancing risk – Out of the total external debt of Rs. 850 crore as of March 2024, the non-LRD debt of Rs. 335 crore has a bullet repayment falling due in May 2026. However, the risk is mitigated to an extent on account of the healthy NOI from the mall, which allows it sufficient headroom to raise additional LRD loan for refinancing this non-LRD loan.

Geographical and asset concentration risks – As SDPL is a single project special purpose vehicle (SPV), it is exposed to geographical and asset concentration risks, which are inherent in companies with a single project.

Vulnerability to external factors and material changes in occupancy and interest rates – SDPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business profiles. The debt coverage metrics remain vulnerable to material changes in occupancy and interest rates.

Liquidity position: Adequate

The company's liquidity position remains adequate. With healthy leasing levels and limited capex plans, its cash flows from operations are expected to remain healthy. The debt repayment obligations for FY2025 and FY2026 can be comfortably met from the cash flow of the mall's operations. Further, SDPL has free cash and bank balances of Rs. 1 crore and undrawn debt of around Rs. 35 crore as of June 2024.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is significant improvement in earnings, while sustaining high occupancy of the retail mall, resulting in improvement in debt protection metrics and liquidity position on a sustained basis.

Negative factors – Pressure on the ratings could be exerted with a material decline in occupancy or rent rates or a significant increase in indebtedness resulting in weakening of debt protection metrics on a consistent basis. Specific credit metric that could lead to a rating downgrade is Total debt/NOI greater than 6.0 times on a sustained basis.

Analytical approach

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

About the company

Salsette Developers Private Limited (SDPL) is owned by Lake Shore India Retail Venture Fund (LSIRVF). The company operates a retail mall in Thane, Maharashtra, known as Viviana Mall with a leasable area of 0.95 msf. The mall started operations in June 2013.

The mall was owned and operated since 2013 by Sheth Developers & Realtors (India) Limited (SDRIL). SDPL acquired 99.99% stake in SDRIL effective from February 2022. Subsequently, SDRIL got amalgamated with SDPL in July 2023.

Key financial indicators (audited)

	FY2023	FY2024*
Operating income	224.8	253.4
PAT	-54.2	2.1
OPBDIT/OI	68.5%	66.8%
PAT/OI	-24.1%	0.8%
Total outside liabilities/Tangible net worth (times)	4.5	4.2
Total debt/OPBDIT (times)	9.6	8.4
Interest coverage (times)	0.9	0.9

Source: Company, ICRA Research; * Provisional numbers; 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	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)	August 09, 2024	-	-	-
1 Issuer rating	Long term	-	[ICRA]A (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	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	Issuer rating	NA	NA	NA	-	[ICRA]A (Stable)

Source: Company

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

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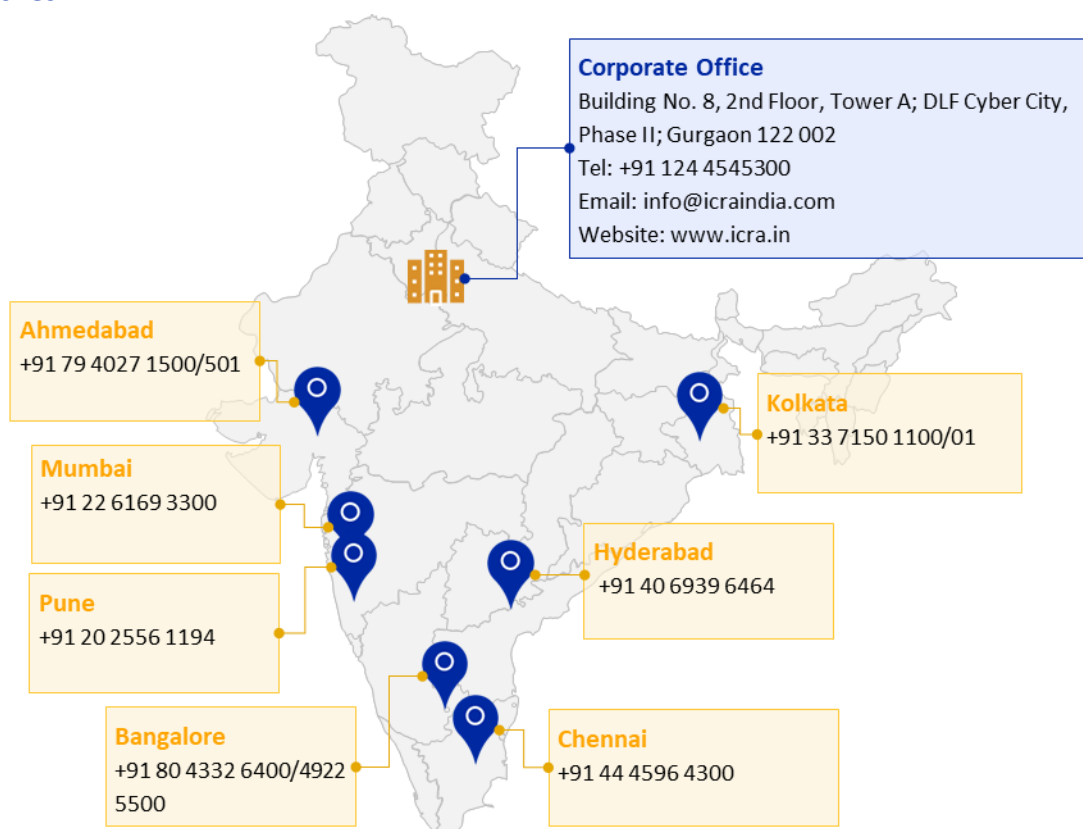


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