February 25, 2025

VR Dakshin Private Limited (formerly Sugam Vanijya Holdings Private Limited): Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures (NCD)	750.0	750.0	[ICRA]BBB (Stable); reaffirmed
Total	**750.0**	**750.0**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for VR Dakshin Private Limited (VRDPL) factors in the improvement in occupancy in VR Chennai (VRC) mall and VR Bangalore (VRB) mall, which is expected to be sustained in the medium term. VRC's occupancy improved to 91% as of January 2025 from 87% as of January 2024, whereas VRB reported an occupancy of 72% as of January 2025 against 55% in the previous year. This resulted in improved total rental and other income of Rs. 181 crore in 9M FY2025 vis-à-vis Rs. 164 crore in 9M FY2024. The rating notes the company's adequate leverage with total external debt/annualised net operating income (NOI) projected to be around 5.9 times as of March 2025 and reduce to 5.2 times as of March 2026 due to scheduled repayments. The rating considers the established track record of the promoter group, Virtuous Retail South Asia (VRSA), in developing and operating retail malls across India and the favourable location of the malls having an attractive catchment area.

The rating, however, remains constrained by the moderate debt coverage metrics with the estimated five-year average (FY2025-FY2029) DSCR at 1.18 times due to top-up loan availed in FY2024 and slow ramp-up in VRB's occupancy. The company maintains a debt service reserve account (DSRA) equivalent to three months of debt servicing obligations. The lessee concentration risk is moderate as the top five tenants occupy a total leased area of 37% in VRC and 53% in VRB. The revenue is exposed to volatility in occupancy caused by adverse macroeconomic conditions, which could impact the tenants' business risk profiles. Moreover, any termination of leases or material decline in occupancy levels will affect the cash flow. The debt coverage ratios remain vulnerable to changes in interest rates.

ICRA notes that the company has invested around Rs. 115 crore in a group company, North Delhi Metro Mall Private Limited (NDMMPL) in FY2024, which was funded by top-up debt and internal accruals. Any, further outflow in the form of investments/loans and advances to group companies will be a credit negative.

The Stable outlook on the rating reflects ICRA's opinion that VRDPL will maintain healthy occupancy levels at VRC, while VRB's operations are expected to ramp-up, backed by its favourable location along with adequate leverage levels.

Key rating drivers and their description

Credit strengths

Improvement in occupancy for Chennai and Bengaluru mall; adequate leverage levels – VRC's occupancy improved to 91% as of January 2025 from 87% as of January 2024, whereas VRB reported increased occupancy of 72% as of January 2025 against 55% in the previous year. This has resulted in an improvement in the total rental and other income to Rs. 181 crore in 9M FY2025 vis-à-vis Rs. 164 crore in 9M FY2024. The rating factors in the company's adequate leverage with total external debt/annualised NOI expected to be around 5.9 times as of March 2025 and reduce to 5.2 times as of March 2026 due to scheduled repayments.

Attractive catchment area – Both, VRB and VRC malls are conveniently located and have an attractive catchment area. While VRB is in Whitefield (Bengaluru), a suburb area, with commercial offices and residential development, VRC is in Anna Nagar (Chennai), which is a prime residential area. The mall has healthy footfalls and is easily accessible from Kilpauk, Mogappair and Nungambakkam residential areas of Chennai.

Reputed parentage lends operational support – VRDPL is a subsidiary of Moribus Holding Pte Limited, which is 100% held by VRSA. VRSA is a 23:77 joint venture (JV) between Xander (through Virtuous Retail Pte Limited) and APG Asset Management, a Dutch pension fund. The Group, at present, operates six retail malls in India with a total leasable area of over 4 million square feet (msf). ICRA derives comfort from the track record of Virtuous Retail in successful operation of retail malls in India. In the past, the VR Group has extended timely support to its subsidiaries towards meeting any funding mismatches.

Credit challenges

Moderate debt coverage metrics – The company's debt coverage metrics are moderate owing to the top-up debt availed in FY2024, high repayments and slow ramp-up in VRB's occupancy. The debt coverage metrics measured by five-year average DSCR (FY2025-FY2029) is estimated to be around 1.18 times. It maintains a DSRA equivalent to three months of debt servicing obligations.

Moderate lessee concentration risk – The lessee concentration risk is moderate as top five tenants occupy a total leased area 35% in VRC and 55% in VRB. Any termination of leases or material decline in occupancy levels will have an impact on the cash flow.

Vulnerability of debt coverage indicators to changes in occupancy and interest rates – The revenue is exposed to volatility in occupancy caused by adverse macroeconomic conditions, which could impact the tenants' business risk profiles. The debt coverage ratios remain vulnerable to changes in interest rates.

Liquidity position: Adequate

The company's liquidity position is adequate, with an unencumbered cash balance of ~Rs. 18.0 crore as of December 2024. VRDPL has principal repayment obligations of Rs. 26 crore in FY2025 and Rs. 39 crore in FY2026, which can be adequately serviced through estimated cash flows from operations. There are no major capex plans for the company in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade VRDPL's rating if the company demonstrates a significant increase in VRB's occupancy levels, at adequate rates, resulting in an improvement in NOI and coverage metrics. Specific credit metrics that could lead to a rating upgrade include five-year average DSCR greater than 1.2 times on a sustained basis.

Negative factors – Negative pressure on VDRPL's rating could arise if there is a material decline in occupancy levels resulting in moderation in the coverage metrics. Further, significant increase in indebtedness or reduction in liquidity buffer may negatively impact the rating.

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

VR Dakshin Private Limited (VRDPL, formerly Sugam Vanijya Holdings Private Limited), incorporated in 1987, is engaged in developing and operating commercial, retail and hotel properties at Bengaluru and Chennai, namely VR Bengaluru and VR Chennai. The company is owned and funded by APG Asset Management and the Xander Group through a joint venture - Virtuous Retail South Asia Pte Ltd.

VRDPL operates two malls, in VR Bengaluru and VR Chennai, having a total leasable space of around 0.6 msf and 1.0 msf respectively, consisting of a retail mall with multiplex, restaurants, and other entertainment activities. It also has a 54-room hotel (named 'The Waverly', in Bangalore) and a 20-room hotel (named 'Madras House', in Chennai) and office spaces (The Hive). As of December 2024, the occupancy of VR Bangalore stood at around 72%, while VR Chennai mall reported occupancy of around 91% as of January 2025.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	198.2	221.1
PAT	-93.5	-81.80
OPBDIT/OI	50.8%	54.7%
PAT/OI	-47.2%	-37.0%
Total outside liabilities/Tangible net worth (times)	-4.1	-3.9
Total debt/OPBDIT (times)	13.8	12.9
Interest coverage (times)	0.6	0.7

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 (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 25, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture	Long term	750.00	[ICRA]BBB (Stable)	01-Mar-2024	[ICRA]BBB (Stable)	01-Mar-2023	[ICRA]BBB (Stable)	-	-
Non-convertible debenture	Long term	-	-	01-Mar-2024	[ICRA]BBB (Stable); withdrawn	01-Mar-2023	[ICRA]BBB (Stable)	25-Jun-2021	[ICRA]BBB+ (Negative)
				-	-	12-Jan-2023	[ICRA]BBB (Stable)	-	-
				-	-	23-Jan-2022	[ICRA]BBB (Stable)	-	-
Term loan	Long term	-	-	01-Mar-2024	[ICRA]BBB (Stable); withdrawn	01-Mar-2023	[ICRA]BBB (Stable)	25-Jun-2021	[ICRA]BBB+ (Negative)
				-	-	12-Jan-2023	[ICRA]BBB (Stable)	-	-
				-	-	23-Jan-2022	[ICRA]BBB (Stable)	-	-
Working capital	Long term	-	-	01-Mar-2024	[ICRA]BBB (Stable); withdrawn	01-Mar-2023	[ICRA]BBB (Stable)	25-Jun-2021	[ICRA]BBB+ (Negative)
				-	-	12-Jan-2023	[ICRA]BBB (Stable)	-	-
				-	-	23-Jan-2022	[ICRA]BBB (Stable)	-	-
Non-fund based	Long term	-	-	01-Mar-2024	[ICRA]BBB (Stable); withdrawn	01-Mar-2023	[ICRA]BBB (Stable)	25-Jun-2021	[ICRA]BBB+ (Negative)
				-	-	12-Jan-2023	[ICRA]BBB (Stable)	-	-
				-	-	23-Jan-2022	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture	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 rates	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE084S07049	**NCD**	18-Apr-23	9.9%	31-Mar-35	268.0	[ICRA]BBB (Stable)
INE084S07031	**NCD**	18-Apr-23	10.7%	31-Mar-35	191.0	[ICRA]BBB (Stable)
INE084S07056	**NCD**	18-Apr-23	9.7%	31-Mar-35	291.0	[ICRA]BBB (Stable)

Source: Company

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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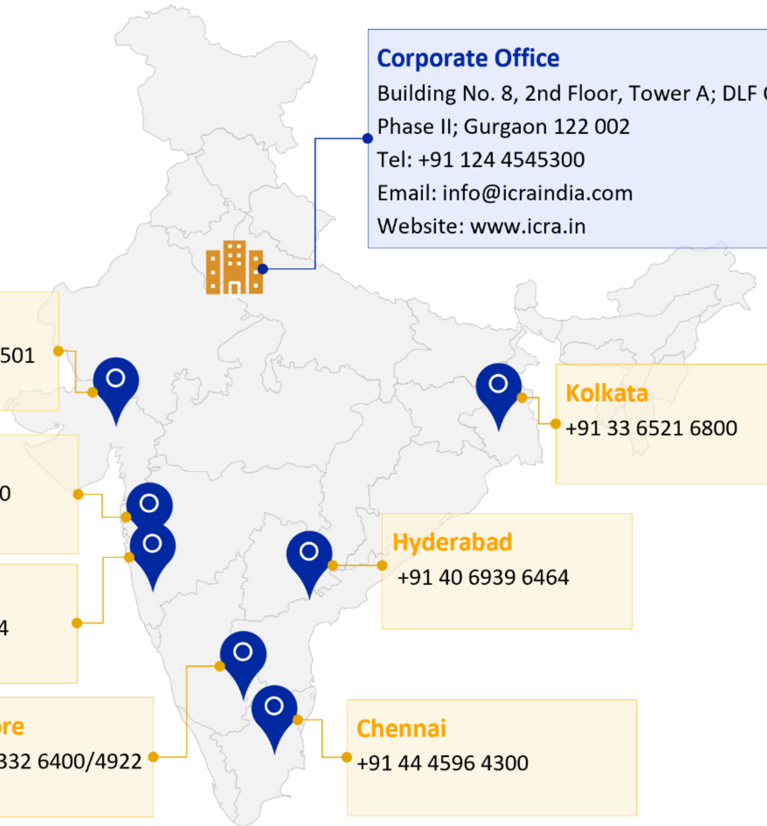

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