

March 18, 2025

## Vishala India Commercial Developers Private Limited: Rating upgraded to [ICRA]BBB(Stable); rated amount enhanced

### Summary of rating action

| Instrument*                        | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action  |
|------------------------------------|-----------------------------------|----------------------------------|--|
| Long-term – Fund-based – Term loan | 73.00                             | 94.00                            | [ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable) and assigned for the enhanced amount |
| <b>Total</b>                       | <b>73.00</b>                      | <b>94.00</b>                     |  |

\*Instrument details are provided in Annexure I

### Rationale

The rating upgrade for Vishala India Commercial Developers Private Limited (VICDPL) factors in the sustained strong occupancy levels at 100% since December 2023, for Royal Meenakshi Mall, along with healthy debt protection metrics. The rating factors in the favourable location of the mall at Bannerghatta Road, Bengaluru. Further, the occupancy is likely to remain strong in FY2026 and FY2027 on the back of a strong tenant profile, owing to the presence of long-term contracts with the majority of the tenants. The leverage metric, as measured by the total debt/ net operating income (debt/NOI), is anticipated to remain strong at 3.2-3.3 times as of March 2025 (PY: 3.0 times) and is further expected to be at 2.8-3.0 times as of March 2026. Moreover, the debt coverage metric is comfortable with the expected 5-year average DSCR at 1.3-1.35 times during FY2025-FY2029.

The rating, however, continues to be constrained by the company's modest scale of operations with rental income of Rs. 16.9 crore in FY2024, estimated to improve by 5-8% in FY2025, backed by contracted rental escalations. Moreover, as the company draws revenue from a single property, it is exposed to asset concentration risk. The rating also notes the moderate lessee concentration risk with the top 5 tenants occupying ~48% of the total leased area. Nonetheless, strong occupancy levels and competitive rent rates mitigate the risks to an extent. The rating factors in the volatility in occupancy caused by economic downturns, which could impact the tenants' business risk profile. Further, the DSCR will be sensitive to fluctuations in interest rates, occupancy levels and timely scheduled escalation of rents.

The Stable outlook reflects ICRA's expectation that VICDPL will maintain strong occupancy levels, supported by a favourable location, strong leverage and comfortable debt coverage metrics.

### Key rating drivers and their description

#### Credit strengths

**Strong occupancy levels with reputed tenant profile** – The mall's strong occupancy of 100% since December 2023 is supported by the strong tenant profile and the presence of long-term contracts with most tenants. The tenant profile includes Shoppers Stop, Reliance projects, Lifestyle International, Croma, Reliance Retail, Mc Donald's, KFC, along with an entertainment facility occupied by Amoeba, and a 750-seater food court with a seven-screen multiplex.

**Favourable location of the property** – The mall is located on Bannerghatta Road in South Bengaluru, one of the most established residential areas in the city, with several large-format residential complexes in the neighbourhood. The mall enjoys location-specific advantage due to its good connectivity and proximity to prime residential areas such as BTM Layout, Jayanagar and JP Nagar. Further, several IT parks and educational institutes are situated within the mall's vicinity, which helps to generate healthy footfalls.

**Strong leverage and comfortable debt coverage metrics** – The leverage metric, as measured by the total debt/ net operating income (debt/NOI) is expected to remain strong at 3.2-3.3 times as of March 2025 (PY: 3.0 times) and is further anticipated to be at 2.8-3.0 times as of March 2026. Moreover, the debt coverage metric is comfortable with the expected 5-year average DSCR at 1.3-1.35 times during FY2025-FY2029.

### Credit challenges

**Modest scale of operations; exposed to asset concentration risk** – The scale of operation remains modest, with rental income of Rs. 16.9 crore in FY2024, estimated to improve by 5-8% in FY2025, backed by contracted rental escalations. Moreover, as the company draws revenue from a single property, it is exposed to asset concentration risk. The rating also considers the moderate lessee concentration risk, with the top 5 tenants occupying 48% of the total leased area. Nonetheless, strong occupancy levels and competitive rent rates mitigate the risks to an extent.

**Vulnerability of debt coverage indicators to changes in occupancy and interest rates** – The rating factors in the volatility in occupancy caused by economic downturns, which could impact the tenants' business risk profile. Further, the DSCR will be sensitive to fluctuations in interest rates, occupancy levels and timely scheduled escalation of rents.

### Liquidity position: Adequate

The company's liquidity position is adequate. It has free cash and cash equivalent of ~Rs. 30 crore as of February 2025. Its debt repayment obligation is ~Rs. 14 crore in FY2026, which can be comfortably serviced through its available liquidity and estimated cash flow from operations. The company plans to incur a capex of Rs. 20-25 crore in the next two years, funded entirely through internal accruals.

### Rating sensitivities

**Positive factors** – ICRA could upgrade VICDPL's rating if the company demonstrates a significant increase in its rental income, resulting in an improvement in NOI and debt protection metrics.

**Negative factors** – Downward pressure on the rating could emerge if there is any reduction in occupancy, resulting in lower rental income or an increase in leverage and deterioration in debt coverage metrics, which exerts pressure on the company's liquidity profile.

### Analytical approach

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

### About the company

Vishala India Commercial Developers Private Limited (VICDPL), established in 2007, is promoted by Mr. UB Venkatesh, Mr. Kupendra Reddy and Mr. SS Ganesh. The company has developed a shopping mall, jointly with its landowners in the name of Royal Meenakshi Mall (0.34 million square feet (msf) of leasable area), which comprises a shopping centre, entertainment centre and a multiplex at Bannerghatta Road, Bengaluru. The operational occupancy of the mall stood at 100% as on January 2025.

## Key financial indicators

| Vishala India Commercial Developers Private Limited (Standalone) | FY2023 | FY2024 | H1 FY2025* |
|--|--------|--------|------------|
| Operating income   | 30.6   | 33.3   | 20.8       |
| PAT  | 7.1    | 13.9   | 5.3        |
| OPBDIT/OI  | 55.2%  | 54.7%  | 48.1%      |
| PAT/OI   | 23.2%  | 41.8%  | 25.3%      |
| Total outside liabilities/Tangible net worth (times)             | 5.1    | 3.1    | 3.0        |
| Total debt/OPBDIT (times)  | 4.3    | 4.5    | 4.8        |
| Interest coverage (times)  | 2.2    | 3.0    | 2.7        |

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 | Current (FY2025) |                          |                    | Chronology of rating history for the past 3 years |                                |              |                      |              |                    |
|------------|------------------|--------------------------|--------------------|---|--------------------------------|--------------|----------------------|--------------|--------------------|
|            | Type             | Amount rated (Rs. crore) | Mar 18, 2025       | FY2024  |                                | FY2023       |                      | FY2022       |                    |
|            |                  |                          |                    | Date  | Rating                         | Date         | Rating               | Date         | Rating             |
| Term loans | Long-term        | -                        | -                  | Apr 06, 2023                                      | [ICRA]BBB- (Stable); withdrawn | Jul 29, 2022 | [ICRA]BB+ (Positive) | Nov 19, 2021 | [ICRA]BB+ (Stable) |
| Term loans | Long-term        | 94.00                    | [ICRA]BBB (Stable) | Apr 06, 2023                                      | [ICRA]BBB- (Stable)            | -            | -                    | -            | -                  |
|            |                  |                          |                    | Mar 12, 2024                                      | [ICRA]BBB- (Stable)            | -            | -                    | -            | -                  |

## Complexity level of the rated instrument

| 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 / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-----------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA   | Term loans      | FY2024                      | NA          | FY2036        | 94.00                    | [ICRA]BBB (Stable)         |

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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