April 25, 2025

Merlin Projects Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term - Fund Based – Working Capital Facilities	12.00	12.00	[ICRA] A (Stable); Reaffirmed
Long Term - Fund Based Term Loans	182.76	219.42	[ICRA] A (Stable); Reaffirmed
Long Term/Short Term - Unallocated Limits	121.24	84.58	[ICRA] A (Stable)/ [ICRA] A1; Reaffirmed
Total	**316.00**	**316.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for the bank facilities of Merlin Projects Limited (MPL) factors in the expected improvement in the Merlin Group's[1] sales and collections in FY2026 while maintaining comfortable leverage levels. The group's ongoing projects have a total saleable area of around 6.7 million square feet (msf) of which ~60% has been sold as of December 2024 with comfortable cashflow adequacy ratio[2] of 78% as of December 2024 (69% as of September 2023). The group's collections are estimated to increase by 25-30% to Rs 970-1000 crores in FY2025 and further by 12-14% in FY2026 supported by adequate committed sales, healthy launch pipeline of upcoming projects, expected good sales velocity for its projects along with construction progress. Consequently, the cash flow from operations (CFO) are likely to improve in FY2026. This coupled with estimated moderate external debt levels of Rs 320-330 crores as of March 2026 is likely to result in comfortable leverage levels with total external Debt/CFO, of 1.0-1.1 times as of March 2026. Of the Group's total external debt (as of December 2024), around 64% of it comprised lease rental discounting (LRD) loans, which is backed by lease rentals from a commercial portfolio of around 0.3 msf, which is expected to generate an annual rental of around Rs. 62-65 crore in FY2026 from its retail portfolio. The ratings note the established market position of the Merlin Group with a track record of over four decades in the real estate industry, particularly in and around Kolkata, along with its strong project execution and sales capabilities. Through historic land acquisitions, MPL has access to sizeable land parcels providing financial flexibility and adequate potential for future project development.

The rating is, however, constrained by the group's exposure to execution and market risks for the ongoing projects and upcoming projects. As of December 2024, ~40% of the area is yet to be sold and around 57% of the cost yet to be incurred for the ongoing projects and the Group has plans to launch around 2-2.5 msf over the next 12-15 months. The ratings remain constrained by the geographical concentration risk with most of the projects located in and around the Kolkata region, thereby exposing it to fluctuations in a single market's performance. While the group has launched 3 projects in the Pune region, the sales and collection from Pune region modest in comparison to share of revenue from the eastern region. Notwithstanding the Group's long and established track record in Kolkata, it remains susceptible to the inherent cyclicality in the real estate industry, which is highly dependent on macro-economic factors, and exposes its sales to any downturn in demand.

The Stable outlook on the long-term rating reflects ICRA's opinion that the Group will maintain good sales velocity in its ongoing and upcoming projects leading to improvement in collections while maintaining comfortable leverage.

[1] *Merlin Group includes Merlin Projects Limited and all its subsidiaries/JV companies having ongoing projects and leased properties*
[2] *Cashflow adequacy ratio = Pending collections / (Pending construction cost + total external debt o/s)*

Key rating drivers and their description

Credit strengths

Adequate sales; comfortable cash flow adequacy – The group's ongoing projects have a total saleable area of around 6.76 million square feet (msf) of which ~60% has been sold as of November 2024 with comfortable cashflow adequacy ratio[3] of 78% as of December 2024 (69% as of September 2023).

Estimated increase in collections; comfortable leverage – The group's collections are estimated to increase by 25-30% to Rs 970-1000 crores in FY2025 and further by 12-14% in FY2026 supported by adequate committed sales, healthy launch pipeline of upcoming projects, expected good sales velocity for its projects along with construction progress. Consequently, the cash flow from operations (CFO) are likely to improve in FY2026. This coupled with estimated moderate external debt levels of Rs 320-330 crores as of March 2026 is likely to result in comfortable leverage levels with total external Debt/CFO, of 1.0-1.1 times as of March 2026. Of the Group's total external debt (as of December 2024), around 64% of it comprised lease rental discounting (LRD) loans, which is backed by lease rentals from a commercial portfolio of around 0.3 msf, which is expected to generate an annual rental of around Rs. 62-65 crore in FY2026 from its retail portfolio.

Established real estate player with long track record and strong market position in eastern India – The Merlin Group has an established track record of over four decades in the real estate industry, particularly in and around Kolkata. The Group has strong project execution and sales capabilities, as demonstrated through consistent delivery of good quality projects covering more than 10 msf of area across residential, commercial, and retail segments. The Group has a leased retail portfolio of around 0.3 msf across two properties - Acropolis Mall (0.26 msf), located on Rajdanga Main Road, Kolkata, and Homeland Mall, (0.03 msf) located in Ashutosh Mukherjee Road in Kolkata. Both the malls are favourably located around the commercial hubs and thus benefit from a populous catchment area. The overall occupancy for the malls remains healthy as both are 100% occupied as of December 2024, with expected annual rentals of around Rs. 62-65 crore for FY2026.

Credit challenges

Exposure to geographical concentration risk – The group is exposed to high geographical concentration risks with most of the projects located in and around the Kolkata region, thereby exposing it to fluctuations in a single market's performance. While the group has launched 3 projects in the Pune region, the sales and collection from Pune region modest in comparison to that from the eastern region.

Exposure to execution and market risks – The group is exposed to execution and market risks for the ongoing projects and upcoming projects. As of December 2024, ~40% of the area is yet to be sold and around 57% of the cost yet to be incurred for the ongoing projects and the Group has plans to launch around 2-2.5 msf over the next 12-15 months.

Vulnerability to cyclicality in real estate sector – The residential real estate sector, being cyclical in nature is highly dependent on macro-economic factors, which exposes the sales to any downturn in demand and competition within the region from various other developers.

Liquidity position: Adequate

The Group's liquidity is expected to remain adequate with unencumbered cash and liquid balances of around Rs. 91.7 crore, undrawn construction finance limits of around Rs. 108.5 crore towards the ongoing projects and healthy committed receivables of around Rs. 1840 crores from the area sold as of December 2024. The scheduled debt repayments of Rs 71 crore in FY2026 for construction finance debt availed for the residential segment and LRD debt against the malls are estimated to be met by the cash flow from operations. Further, it reported an unutilized overdraft limit of Rs 42 crore as of December 2024.

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[3] Cashflow adequacy ratio = Pending collections / (Pending construction cost + total external debt o/s)

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a significant increase in scale and collections along with improved geographical diversification, resulting in an improvement in cash flows, while maintaining low leverage on a sustained basis.

Negative factors – Negative pressure on the ratings could arise in case of moderation in scale, and/or slowdown in project execution or collections resulting in deterioration in the Group's financial risk profile, leading to increased debt levels. Further, any large debt-funded investments in land bank or other capital expenditure may also impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the operational and financial profile of entities in the Merlin Group, having ongoing projects, leased properties (as mentioned in Annexure II), given their close business, financial and managerial linkages.

About the company

Established in 1976 as a partnership firm and converted to a public limited company in 1992, Merlin Projects Limited is the flagship company of the Kolkata-based Merlin Group, having over four decades of experience in the realty sector. The Group has developed over 100 residential and commercial complexes and 150 independent bungalows, with a total constructed area more than 10 msf, mostly in and around Kolkata. The Group has some presence in other parts of India with various residential and commercial projects at Chennai, Chhattisgarh, Pune, Bhubaneswar, and Ahmedabad.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	273.6	408.0
PAT	59.5	45.9
OPBDIT/OI	18.8%	13.4%
PAT/OI	21.8%	11.2%
Total outside liabilities/Tangible net worth (times)	2.3	2.9
Total debt/OPBDIT (times)	8.7	8.8
Interest coverage (times)	2.1	1.5

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

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Apr 25, 2025	Date	Rating	Date	Rating	Date	Rating
Working capital facilities	Long Term	12.00	[ICRA] A (Stable)	-	-	Mar 22, 2024	[ICRA] A (Stable)	Dec 27, 2022	[ICRA] A (Stable)
Term Loans	Long Term	219.42	[ICRA] A (Stable)	-	-	Mar 22, 2024	[ICRA] A (Stable)	Dec 27, 2022	[ICRA] A (Stable)
Unallocated limits	Long Term/ Short term	84.58	[ICRA] A (Stable)/ [ICRA] A1	-	-	Mar 22, 2024	[ICRA] A (Stable)/ [ICRA] A1	Dec 27, 2022	[ICRA] A (Stable)/ [ICRA] A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Working capital facilities	Simple
Long-term – Term Loan	Simple
Long-term/Short-term – Unallocated	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	**Working capital facilities**	-	-	-	12.00	[ICRA] A (Stable)
NA	**Term loan**	FY2023	-	FY2035	219.42	[ICRA] A (Stable)
NA	**Unallocated**	-	-	-	84.58	[ICRA] A (Stable)/ [ICRA] A1

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Merlin Projects Limited	100% (rated entity)	Full Consolidation
Merlin Acropolis Projects Pvt Ltd.	100%	Full Consolidation
Acropolis Maintenance Services Pvt Ltd	100%	Full Consolidation
Bengal Merlin Housing Ltd	100%	Full Consolidation
PS Merlin Developers LLP	100%	Full Consolidation
Merlin Developments	100%	Full Consolidation
Merlin Real Estate LLP	100%	Full Consolidation
Merlin Ganges Projects	50%	Proportionate Consolidation
Elita Garden Vista Project Pvt Ltd	37.5%	Proportionate Consolidation
Surekha Merlin Promoters Pvt Ltd	45%	Proportionate Consolidation
Meenambakkam Realty Private Limited	49%	Proportionate Consolidation

Source: Annual report; ICRA notes that while there are several other entities within the Group, none of the other entities have ongoing projects or outstanding debt at present.

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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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