

May 14, 2025

## SGH Realty Private Limited: Rating upgraded to [ICRA]A (Stable)

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loans	500.00	500.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Long-term – Fund-based – Overdraft	50.00	50.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Long-term – Interchangeable**	(10.00)	(10.00)	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
<b>Total</b>	<b>550.00</b>	<b>550.00</b>	

\*Instrument details are provided in Annexure I

\*\*Includes two facilities (letter of credit, Bank guarantee) which are sublimit to the Overdraft facility

### Rationale

The rating upgrade for SGH Realty Private Limited (SRPL) factors in the improvement in average trading occupancy for the Palladium Ahmedabad Mall to 92% in 9M FY2025 from 68% in 9M FY2024, supported by ramp-up in footfalls and trading values, which is expected to sustain in the medium term. The rating notes the healthy committed leasing of 98% as of December 2024. Backed by healthy leasing and no plans to raise any further debt, the leverage as reflected by total external debt/net operating income (NOI) is projected to remain below 5.0 times in the medium term. Moreover, the debt coverage indicators are estimated to remain adequate with five-year average DSCR of 1.3-1.4 times in FY2026-FY2030.

The rating continues to factor in the mall being operated under the Palladium brand of The Phoenix Mills Limited (PML) at an attractive and premium location in Ahmedabad, i.e., SG Highway. The good connectivity and attractive catchment area are likely to support healthy footfalls and trading density. The mall is operated by PML, 50% partner of SRPL, which is one of India's leading owner, operator and developer of retail-led mixed-use destinations with its developments spread across retail, hospitality, commercial offices, and residential asset classes, with strong brand strength and operational track record of over three decades.

The rating is, however, exposed to geographical and asset concentration risks, which are inherent in companies with a single project. SRPL's credit profile remains exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles and occupancy levels. While the committed occupancy for the mall remains healthy at 98% as of December 2024, the debt protection metrics would remain vulnerable to material changes in occupancy, rental rates and interest rates. The company has interest-free loans from promoters of Rs. 450 crore as of December 2024, which are subordinated to external debt and does not have any fixed repayment schedule.

The Stable outlook on the rating reflects ICRA's expectation that the company will sustain its healthy occupancy levels, maintain comfortable leverage, adequate coverage metrics and benefit from PML's expertise in mall operations.

### Key rating drivers and their description

#### Credit strengths

**Healthy leasing and trading occupancy levels and comfortable leverage** – The mall's committed leasing stands healthy at 98% as of December 2024. The average trading occupancy improved to 92% in 9M FY2025 from 68% in 9M FY2024, supported by

ramp-up in footfalls and trading values, which is expected to sustain in the medium term. The mall has signed long-term lease agreements with reputed tenants viz PVR, Lifestyle, Zara, H&M, etc, with top 10 tenants occupying 36% of the chargeable area. Backed by healthy leasing and no plans to raise any further debt, the leverage as reflected by total external debt/NOI is projected to remain below 5.0 times in the medium term. Moreover, the debt coverage indicators are estimated to remain adequate with five-year average DSCR of 1.3-1.4 times in FY2026-FY2030.

**Location-specific advantage and good connectivity** – The mall has a chargeable area of ~7.5 lakh square feet (sft) and the property is located at a favourable and premium location in Ahmedabad, i.e., SG Highway. Further, the location has an attractive catchment area due to the presence of premium residential development nearby. The good connectivity and attractive catchment area are likely to support healthy footfalls and trading density.

**Strong business profile and established track record of PML in the retail mall segment** – SRPL is a 50:50 joint venture between PML and BSafal Group. The mall is operated by PML, which is one of India's leading owner, operator and developer of retail-led mixed-use destinations with its developments spread across retail, hospitality, commercial offices, and residential asset classes, with strong brand strength and operational track record of over three decades. PML and its subsidiaries have an operational retail portfolio of ~11.5 million square feet (msf) of retail space across 8 major cities of India and approx. 5 msf of retail space under development. The PML Group's mixed-use destinations include Grade A offices with an operational office portfolio of ~3 msf and ~4 msf, in the pipeline across Mumbai, Bangalore, Pune and Chennai to be delivered by 2027. The PML Group has delivered 3 iconic residential projects across the country and currently has one project under development in Kolkata. The PML Group also owns and operates two hotels – The St. Regis, Mumbai and Courtyard by Marriot, Agra and currently has a Grand Hyatt hotel under planning at Whitefield, Bengaluru.

### Credit challenges

**Geographical and asset concentration risks; vulnerability to external factors** – SRPL is exposed to geographical and asset concentration risks, which are inherent in companies with a single project. In addition, its credit profile remains exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles and occupancy levels.

**Susceptibility to changes in interest rates and occupancy** – While the committed occupancy for SRPL's mall remains healthy at 98% as of December 2024, the debt protection metrics would remain vulnerable to material changes in occupancy, rental rates and interest rates.

### Liquidity position: Adequate

SRPL's liquidity position is adequate. The company has a principal repayment obligation of around Rs. 24 crore in FY2026 and around Rs. 40 crore in FY2027, which can be comfortably serviced through its estimated cash flow from operations. SRPL has cash and cash equivalents of Rs. 1.6 crore as of December 2024. It does not have any expansion plans in the medium term.

### Rating sensitivities

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

**Negative factors** – Negative pressure on the rating could emerge if there is a material decline in occupancy or rent rates or a significant increase in indebtedness resulting in weakening of debt protection metrics on a sustained basis. Specific credit metric that could lead to a downgrade is total external debt/NOI greater than 6.0 times 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

SGH Realty LLP (SRL), a limited liability partnership firm was incorporated in 2017 and is jointly owned by The Phoenix Mills Limited and BSafal Group. On January 29, 2025, the LLP was converted into a private limited company and hence was renamed to SGH Realty Private Limited (SRPL). SRPL operates a retail mall – Palladium – in Ahmedabad, Gujarat, which was built on a land parcel of 5.2 acres and has a leasable area of ~7.5 lakh sft. The mall started operations in February 2023 and has committed leasing occupancy of 98% as of December 2024.

## Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	6.2	140.1
PAT	-23.7	10.5
OPBDIT/OI	-264.2%	52.7%
PAT/OI	-379.9%	7.5%
Total outside liabilities/Tangible net worth (times)	-76.1	-359.1
Total debt/OPBDIT (times)	-50.6	12.8
Interest coverage (times)	-5.3	1.6

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	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		FY2026		FY2025		FY2024		FY2023	
		Amount Rated (Rs. crore)	May 14, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term - Term loan - Fund based	Long Term	500.00	[ICRA]A (Stable)	-	-	Feb 21, 2024	[ICRA]A- (Stable)	Mar 10, 2023	[ICRA]A- (Stable)
Long-term - Others - Interchangeable	Long Term	(10.00)*	[ICRA]A (Stable)	-	-	Feb 21, 2024	[ICRA]A- (Stable)	-	-
Long-term - Overdraft - Fund based	Long Term	50.00	[ICRA]A (Stable)	-	-	Feb 21, 2024	[ICRA]A- (Stable)	-	-

<b>Fund-based/ Non-fund based facilities</b>	Long Term	-	-	-	-	-	-	Mar 10, 2023	[ICRA]A-(Stable)
<b>Fund-based/ Non-fund based facilities</b>	Long Term	-	-	-	-	-	-	Mar 10, 2023	[ICRA]A-(Stable)

*\*Includes two facilities (letter of credit, Bank guarantee) which are sublimit to the Overdraft facility*

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term Loans	Simple
Long-term – Fund-based – Overdraft	Simple
Long-term – Interchangeable	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 loans	FY2024	NA	FY2034	500.00	[ICRA]A (Stable)
NA	Fund-based – Overdraft	NA	NA	NA	50.00	[ICRA]A (Stable)
NA	Interchangeable*	NA	NA	NA	(10.00)	[ICRA]A (Stable)

Source: Company; \*Includes two facilities (letter of credit, Bank guarantee) which are sublimit to the Overdraft facility

[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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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.

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