

April 24, 2023

## Avalor Developers Private Limited: Provisional rating confirmed as final for Rs. 600 crore of commercial paper programme; rating reaffirmed for Rs. 200 crore of proposed commercial paper programme

### Summary of rating action

| Instrument*      | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                                       |
|------------------|--------------------------------------|-------------------------------------|---|
| Commercial paper | 600.00                               | 600.00                              | [ICRA]A2 (CE) Provisional rating confirmed as final |
| Commercial paper | 200.00                               | 200.00                              | Provisional [ICRA]A2 (CE); reaffirmed               |
| <b>Total</b>     | <b>800.00</b>                        | <b>800.00</b>                       |   |

|   |          |
|---|----------|
| Rating in the absence of pending actions/documents^ | [ICRA]A3 |
| Rating without Explicit Credit Enhancement          | [ICRA]A3 |

\*Instrument details are provided in Annexure I

^ for Commercial paper of Rs. 200 crore

Note: The (CE) suffix mentioned alongside the (provisional) rating symbol indicates that the rated instrument/facility is to be backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The table above also captures ICRA's opinion on (a) the rating if the pending actions/ documents are not completed, and (b) the rating without factoring in the proposed explicit credit enhancement.

### Rationale

ICRA has confirmed the provisional rating of [ICRA]A2 (CE) assigned to the Rs. 600 crore commercial paper (CP) of Avalor Developers Private Limited (ADPL). ADPL has shared the executed transaction documents and the provisional rating has been confirmed based on these documents, which are in line with the initial rating conditions. Further, ICRA has reaffirmed the Provisional [ICRA]A2 (CE) rating for the Rs. 200-crore commercial paper of ADPL, for which the executed transaction documents are pending.

The assigned rating is based on the strength of the corporate guarantee provided by Runwal Developers Private Limited (RDPL/the guarantor) for the Rs. 600 crore commercial paper (CP) programme and Rs. 200 crore proposed CP programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, RDPL.

### Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach, whereby the rating of the guarantor has been translated to the rating of the said instrument. The guarantee for Rs. 600 crore is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument, has a well-defined invocation and payment mechanism. The guarantee for Rs. 200 crore is expected to be legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and have a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by RDPL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]A2 (CE) against the rating of [ICRA]A3 without explicit credit enhancement. If the rating of the guarantor was to undergo a change in future, the same would reflect in the rating of the aforesaid instrument.

### Salient covenants of the rated facility

- No additional indebtedness at RDPL and at the issuer (other than proposed instrument or as disclosed to investor) without investor's prior written consent.
- No change in shareholding of the issuer without prior approval from the investor.
- No encumbrance on issuer's shares without prior consent of the investor.
- All shareholder/promoter loans (present and future) at the issuer to be subordinated to the proposed instrument. No repayment of any shareholder loans till the maturity date.

### Key rating drivers and their description

#### Credit strengths

**Established track record of the Runwal Group in real estate development in MMR region** – The Runwal Group has an established track record of over four decades in the residential and commercial retail verticals in the Mumbai Metropolitan Region (MMR) and Pune, underpinned by 42+ projects delivered till date. The Group operates four malls – R City, R Odeon, R Mall Mulund and R Mall Thane. R City is one of the largest malls in Mumbai with leasable area of around 1.3 mn sq ft. The Group's ongoing projects are favourably located in the key micro markets of MMR and Pune.

**Corporate guarantee from Runwal Developers Private Limited** – The rated CP of Rs. 600 crore is backed by a corporate guarantee deed from RDPL. The company plans to raise additional funds through CP of Rs. 200 crore to acquire 50% stake owned by Reco Ghatkopar Pte Ltd (GIC entity) in R Mall Developers Private Limited (RMDPL), which houses the R City Mall in Ghatkopar. RMDPL is 50% owned by Reco Ghatkopar Pte Ltd (GIC entity) and 50% by RDPL. The guarantee of Rs. 600 crore is legally enforceable, irrevocable, unconditional and has a well-defined invocation and payment mechanism. Further, the guarantee of Rs. 200 crore is also expected to have all the attributes of the executed guarantee for Rs. 600 crore CP.

#### Credit challenges

**Exposure to refinance risks** – The CP of Rs. 600 crore has a tenure of 15 days from the pay-in date and the proposed CP of Rs. 200 crore is also expected to have a short tenure, exposing the CPs to refinancing risks. However, funding support is expected from RDPL and its Group entities for redemption of CP.

#### Liquidity position

##### Runwal Developers Private Limited: Adequate

RDPL's (support provider) liquidity position, on a consolidated basis, is adequate with unencumbered cash and liquid balances of around Rs. 147 crore as on December 31, 2022 and undrawn bank limits of Rs. 1,606 crore, which includes undrawn construction finance (CF) debt of Rs. 1,280 crore and undrawn lease rental discounting (LRD) debt of Rs. 326 crore. The healthy committed receivables of around Rs. 2,416 crore from the sold area as on December 31, 2022 further supports the liquidity.

##### Avalor Developers Private Limited: Stretched

ADPL's liquidity position is stretched. The company had unencumbered cash and liquid balances of around Rs 1.14 crore as on March 12, 2023. However, it is planning to raise a short-term CP of Rs. 800 crore and will remain dependent on funding support from RDPL and its Group entities for redemption of CP.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if there is an improvement in the credit profile of the guarantor, RDPL.

**Negative factors** – The rating could be downgraded in case of any deterioration in the credit profile of the guarantor, RDPL.

## Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">ICRA's Policy on Assigning Provisional Ratings</a><br><a href="#">Approach for rating debt instruments backed by third-party explicit support</a>   |
| Parent/Group support            | The rating assigned to ADPL factors in the high likelihood of its parent, RDPL, extending financial support to it because of ADPL being a wholly-owned subsidiary of RDPL. Moreover, RDPL will provide corporate guarantee to the borrowing programme of ADPL. |
| Consolidation/Standalone        | The rating is based on the standalone financials of ADPL   |

## Pending actions/documents required to be completed for conversion of provisional rating into final

The assigned rating for CP of Rs. 200 crore is provisional and would be converted into final upon:

1. Execution on corporate guarantee deed;
2. Execution of transaction documents which includes letter of offer, resolution passed by board of directors

## Validity of the provisional rating

In case the debt instrument/borrowing facility for which a provisional rating has been assigned is subsequently issued, the provisional rating would have to be converted into a final rating within 90 days (validity period) from the date of issuance of the debt instrument. If considered appropriate, the validity period may be extended further by 90 days for converting the provisional rating into final, in circumstances where the rated entity expressly indicates its intention to complete the pending actions/documents over the near term. Under no circumstances shall the validity period be extended beyond 180 days from the date of issuance. For further details, refer to ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

If neither the pending actions/documents nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the company

Avalor Developers Private Limited (ADPL), is a wholly-owned subsidiary of Runwal Developers Private Limited (RDPL). At present, ADPL does not have any operations. The company plans to acquire 50% stake of GIC in R Mall Developers Private Limited (RMDPL), which houses the R City Mall in Ghatkopar.

## About the guarantor

Runwal Developers Pvt. Ltd. (part of the Runwal Group), established in 1978, is one of Mumbai's well-known real estate developers, operating in the residential, commercial and organised retail/mall verticals. The Group has a track record of delivering 42+ projects. It operates four retail malls in Mumbai and Thane with a total leasable area of 1.8 mn sq ft, which includes R City Mall in Ghatkopar West, one of Mumbai's biggest malls with a leasable area of 1.3 mn sq ft. The other malls operated by the Group are R Mall Mulund, R Mall Thane and R Odeon Mall in Ghatkopar East.

## Key financial indicators

| Standalone (Avalor Developers Private Limited)       | FY2022 | FY2023 <sup>^</sup> |
|--|--------|---------------------|
| Operating income                                     | -      | -                   |
| PAT  | -0.1   | -0.0                |
| OPBDIT/OI  | -      | -                   |
| PAT/OI   | -      | -                   |
| Total outside liabilities/Tangible net worth (times) | -1.0   | 0.4                 |
| Total debt/OPBDIT (times)                            | 0.0    | -9.0                |
| Interest coverage (times)                            | -      | -49.1               |

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

<sup>^</sup> as on March 12, 2023

Source: Audited and Provisional Financials of the company

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| Instrument         | Type       | Current rating (FY2024)  |   |                           |                           | Chronology of rating history for past 3 years |                         |                         |
|--------------------|------------|--------------------------|---|---------------------------|---------------------------|---|-------------------------|-------------------------|
|                    |            | Amount rated (Rs. crore) | Amount outstanding as on March 31, 2023 (Rs. crore) | Date & rating in FY2024   |                           | Date & rating in FY2023                       | Date & rating in FY2022 | Date & rating in FY2021 |
|                    |            |                          |   | Apr 24, 2023              | Apr 19, 2023              |   |                         |                         |
| 1 Commercial paper | Short term | 600.0                    | -   | [ICRA]A2 (CE)             | Provisional [ICRA]A2 (CE) | -   | -                       | -                       |
| 2 Commercial paper | Short term | 200.0                    | -   | Provisional [ICRA]A2 (CE) | Provisional [ICRA]A2 (CE) | -   | -                       | -                       |

## Complexity level of the rated instruments

| Instrument       | Complexity Indicator |
|------------------|----------------------|
| Commercial paper | Very 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 |
|------------------|------------------|------------------|-------------|--------------|--------------------------|----------------------------|
| INE0P4G14013     | Commercial paper | April 25, 2023   | -           | May 10, 2023 | 600.0                    | [ICRA]A2 (CE)              |
| Yet to be placed | Commercial paper | NA               | NA          | NA           | 200.0                    | Provisional [ICRA]A2 (CE)  |

Source: Company

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

## ANALYST CONTACTS

**Rajeshwar Burla**

+91 40 4547 4829

[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Anupama Reddy**

+91 40 4547 4829

[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**Tushar Bharambe**

+91 22 6169 3347

[tushar.bharambe@icraindia.com](mailto:tushar.bharambe@icraindia.com)

**Chintan Chheda**

+91 22 6169 3343

[chintan.chheda@icraindia.com](mailto:chintan.chheda@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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