

August 30, 2019 <sup>Revised</sup>

## TRIL Amritsar Projects Limited: Rating reaffirmed

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	125.0	125.0	[ICRA]A(SO) (Stable); Reaffirmed
<b>Total</b>	<b>125.0</b>	<b>125.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation of the rating factors in the favourable location of TRIL Amritsar Projects Limited's (TAPL) sole property 'TRILIUM Mall, Amritsar' with six years of operational track record. The tenant profile is diverse with reputed anchors such as Lifestyle, Reliance Trends, Pantaloons, Big Bazaar, H&M and Inox accounting for 27% of leasable space as on March 31, 2019 and remaining area accounted by ~100 retail stores, food court, and restaurants. The rating also takes into account the healthy cash cover (net rental/interest) for the senior NCD<sup>1</sup> and the presence of interest servicing reserve account (ISRA) in the form of fixed deposit (Rs.3.08 crore as on March 31, 2019) equivalent to one quarter of interest payment. The rating also takes into account TAPL's strong parentage by virtue of being a wholly owned subsidiary of Tata Realty and Infrastructure Limited (TRIL, rated [ICRA]AA (Stable)/[ICRA]A1+)

The rating is, however, constrained on account of the moderate occupancy level of 55% as on March 31, 2019. The occupancy declined in FY2019 to 55% from 61% in FY2018 as area held by a client offering banquet hall services was vacated to accommodate new tenant with better realization. ICRA notes that TAPL added few tenants during Q1FY2020 resulting in an increase in occupancy levels to 60% as on June 30, 2019. Around 35% of the leases are falling due for rental escalation within next two years and lock-in for these tenants have already expired. Notwithstanding the track record of TAPL implementing the rental escalations across all tenants in FY2019; ability of TAPL to implement rental escalations without tenant attrition remains important. The rating factors in the high refinancing risks for TAPL given the put option on the rated NCDs at the end of three years which is falling due in June 2020; however, ICRA draws comfort from the financing flexibility of the promoter group and also refinancing options available for rental assets in form of lease rental discounting (LRD) loans. The rating is also constrained by the risks associated with a single property nature of portfolio and consistent moderate occupancy levels for the project. The low occupancy has led to under recovery of Common Area Maintenance (CAM) expense, thus affecting the operating profits. Going forward, improving the occupancy levels for the project along with the effective implementation of the escalation in rentals as per the agreed terms with the tenants will remain important.

While reaffirming the rating, ICRA has taken note of increase in coupon rates for the senior NCD (revised from 9.27% per annum to 9.50% p.a. w.e.f. June 20, 2019). ICRA has also taken note of outstanding promoter's inter corporate deposit which is subordinated to external debt.

<sup>1</sup> Un-amortising bond with a bullet repayment structure at the end of the tenure.

## Outlook: Stable

ICRA expects that the occupancy levels to remain moderate at around 60% over the medium term resulting in comfortable cash flow cover for the senior NCD obligations, given the fact that only interest has to be paid over the tenure of instrument. The outlook may be revised to 'Positive' if the occupancy level of the company increases significantly with full implementation of rental escalations resulting in more than expected cash inflows. The outlook may be revised to 'Negative' if fall in occupancy level of the mall weakens the coverage and liquidity indicators or the company undertakes additional debt weakening the financial risk profile of the company.

## Key rating drivers

### Credit strengths

**Operational profile marked by diverse lessee profile and favourable location** – Operational since October 2013, TRILIUM mall has an established operating track record of six years. The mall has a diverse lessee profile, with reputed anchors such as Lifestyle, Reliance Trends, Pantaloons, Big Bazaar, H&M and Inox accounting for 27% of leasable space as on March 31, 2019 and remaining area accounted by ~100 retail stores, food court, and restaurants. The project site is located within the new city centre of Amritsar, adjoining the high-end residential areas of Basant Avenue, Ranjit Enclave and Medical Enclave, which is the primary catchment area of the mall.

**Presence of structural features such as ISRA** - ICRA takes comfort from the presence of interest servicing reserve account (ISRA) in the form of fixed deposit (Rs.3.08 crore as on March 31, 2019) equivalent to one quarter of interest payment as well as an escrow structure for the debentures.

**Strong parent profile** – The company is a wholly owned subsidiary of TRIL, a 100% subsidiary of Tata Sons Private Limited (rated [ICRA]AAA (Stable)/[ICRA]A1+), which provides healthy financial flexibility.

### Credit challenges

**Decline in occupancy levels** - The occupancy level of the project remains moderate with occupancy level of 55% as on March 31, 2019. The occupancy declined in FY2019 to 55% from 61% in FY2018 as area held by a client offering banquet hall services was vacated to accommodate new tenant with better realization. ICRA notes that TAPL added few tenants during Q1FY2020 resulting in an increase in occupancy levels to 60% as on June 30, 2019. The consistent moderate occupancy of the project has led to under recovery of Common Area Maintenance (CAM) expense, thus affecting the operating profits.

**High asset concentration risk**– The company draws its revenues from a single mall in Amritsar, Punjab. The project being a single mall SPV for the company is exposed to high asset concentration risk, which is inherent in single property nature of portfolio.

**High refinancing risk** – The company is exposed to refinancing risk given the presence of put option at the end of three years (June 2020). However, ICRA draws comfort from the strong financing flexibility of the promoter group and also refinancing options available for rental assets in form of lease rental discounting (LRD) loans.

**Exposed to vacancy and rental escalation risks** - Around 35% of the leases are falling due for rental escalation within next two years and lock-in for these tenants have already expired. Notwithstanding the track record of TAPL implementing the rental escalations across all tenants in FY2019; ability of TAPL to implement rental escalations without tenant attrition remains important.

## Liquidity Position

The company has a moderate liquidity position given unencumbered cash & bank balance of Rs.3.72 crore as on March 31, 2019. Further, presence of Interest servicing reserve account (ISRA) equivalent to one quarter of interest payment (Rs.3.08 crore in form of FD as on March 31, 2019) provides additional liquidity comfort.

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Debt Backed by Lease Rentals (Lease Rental Discounting Loans)</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a> Parent Company: Tata Realty and Infrastructure Limited (TRIL)
Parent/Group Support	The rating factors in the likelihood of TAPL's parent extending financial support out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation / Standalone	Standalone

## About the company:

TRIL Amritsar Projects Limited(TAPL) is a Special Purpose Vehicle (SPV) promoted by Tata Realty & Infrastructure Limited (TRIL, rated [ICRA]AA (Stable)/A1+). TAPL had undertaken development of a retail mall called "TRILIUM" located in Basant Nagar, Amritsar. The project has a total leasable area of 6.86 lakh Sq ft. spread over eight floors of shopping complex from lower ground floor to sixth floor. The mall has a food court (seating capacity of 800), multiplex (6 screen facility operated by Satyam- INOX currently), departmental stores (Lifestyle, Pantaloon, etc.), retails stores (over 120 outlets), hypermarket (Big Bazaar), and entertainment zones.

## Key financial indicators (Audited)

	FY2018	FY2019
Operating Income* (Rs. crore)	33.2	24.9
PAT (Rs. crore)	-18.4	-27.0
OPBDIT/OI (%)	43.5%	28.0%
RoCE (%)	1.5%	-0.6%
Total Debt/TNW (times)	12.5	12.7
Total Debt/OPBDIT (times)	23.0	44.4
Interest coverage (times)	0.6	0.2

\* adjusted for lease equalization as per IndAS

Source: TAPL, ICRA research

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: None**

**Rating history for last three years:**

Instrument	Current Rating (FY2020)				Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on March 2019	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018		Date & Rating in FY2017
					Aug 2019	Sep 2018	Aug 2017	June 2017
1 Non-convertible debentures	Long Term	125.00	121.50	[ICRA]A(SO) (Stable)	[ICRA]A(SO) (Stable)	[ICRA]A(SO) (Stable)	Provisional [ICRA]A(SO) (Stable)	-

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE850K07057	Non-convertible debentures	Jun-2017	9.50%	Jun-2029	125.00	[ICRA]A(SO) (Stable)

Source: TAPL

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## Corrigendum

Document dated August 30, 2019 has been corrected with revision as detailed below:

Revision in KFI Table – RoCE for FY2019 added.

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