January 20, 2022

Bardiya Real Estate Developers Private Limited: Rating downgraded to [ICRA]B+ from [ICRA]BB-; outlook revised to Stable from Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Fund-based – Term Loan	86.50	86.50	[ICRA]B+ (Stable); downgraded from [ICRA]BB- (Negative) with revision in outlook
Total	**86.50**	**86.50**	

**Instrument details are provided in Annexure-1*

Rationale

The rating action factors in the moderation of Bardiya Real Estate Developers Private Limited's (BREDPL) cash flows in FY2021 and Q1 FY2022 primarily on account of the Covid-19 pandemic-related restrictions implemented by the Central and state governments, amid the public aversion to visit malls. Consequently, the company availed debt restructuring from Union Bank of India under the Reserve Bank of India's (RBI) resolution framework for Covid-19 related stress. The rating is constrained by BREDPL's elevated leverage profile and sizeable repayments in FY2023, which may pressurise its cash flows and expose it to refinancing risks. Part of the debt obligations is proposed to be met through promoters/Group support and sale of space in the mall. The timely and adequate closure of sale and receipt of promoter support will be crucial for meeting its debt servicing obligations on time. The rating also continues to remain constrained by the losses reported by the company in five out of the six years, the high asset and lessee concentration risks.

The rating, however, continues to derive comfort from the established experience of BREDPL's promoters in operating commercial properties in Jaipur, Rajasthan. ICRA notes the favourable location of the company's GT Central Mall and its reputed tenant profile. The rating further considers the low lease expiry risk for majority of its tenants. BREDPL has entered into lease agreements with major tenants for periods ranging between five to nine years. For its biggest tenant (Inox), the lease tenor is for 19 years. Further, the overall weighted average (area wise) pending lease tenor is seven years, representing a moderate renewal risk.

The Stable outlook on the long-term rating reflects ICRA's opinion that BREDPL will continue to benefit from the extensive track record of its promoters in operating commercial properties in Jaipur, Rajasthan, favourable location of the property, reputed tenant profile, along with its established relationship with them. It is also likely to derive timely support from the promoters.

Key rating drivers and their description

Credit strengths

Reputed lessee profile – Operational since 2013, GT Central Mall has an established operating track record of over eight years and houses reputed tenants such as Inox, Reliance Trends, Reliance Footprint, Burger King, Pizza Hut, Dominos etc.

Favourable location of the property – The mall is favourably located in Jaipur (Rajasthan), adjoining the Jawahar Lal Nehru Marg, close to major residential areas of Jaipur such as Malviya Nagar and Mansarovar.

Moderate lease renewal risk – The company has entered into lease agreements with major tenants for periods ranging between five years to nine years. For its biggest tenant (Inox), the lease tenor is for 19 years. The high lease periods have mitigated the renewal risk for the major tenants to a larger extent. The anchor tenants have long-pending lease periods as on date, ranging from two-three years (Modern FnB, Modern Masti, Reliance Trends and Burger King) to nine years (For Reliance Footprint) and 16 years for Inox. The other major tenants have pending lease tenor ranging within three to nine years. Further, the overall weighted average (area wise) pending lease tenor is seven years, representing a moderate renewal risk.

Credit challenges

Weakening of debt coverage metrics and cash flows due to Covid-19 pandemic – The mall's cash flows were adversely impacted by the pandemic-related restrictions imposed by the Central and state governments, amid the public aversion to visit malls. The pandemic-led disturbances and waivers given by the company to its tenants affected the rental inflows in FY2021, as witnessed from the decline in its operating income (OI) to Rs. 6.55 crore from Rs. 14.41 crore in FY2020. Its debt coverage metrics moderated in FY2021, with interest coverage at 0.50 times (previous year: 1.10 times), Total Debt/OPBDITA at 21.88 times (previous year: 8.82 times) and DSCR at 0.74 times (previous year: 1.15 times). Consequently, BREDPL availed debt restructuring from Union Bank of India under the RBI's resolution framework for Covid-19 related stress.

Sizeable repayments over the medium term – The company's external debt levels remain elevated, with the outstanding debt standing at Rs. 91.54 crore as on November 30, 2021. With sizeable scheduled debt repayments over the medium term, timely and adequate closure of sale of space in the mall and receipt of promoter support will be crucial for timely debt servicing.

Losses reported in five out of the six years – Due to low absorption of fixed cost owing to lower rentals (on account of low occupancy since commencement of mall until FY2020 and pandemic-led disturbances in FY2021) and high financial costs, the company reported net losses in five out of the six years.

High asset and lessee concentration risks – The company draws revenues from a single shopping centre in Jaipur, Rajasthan, which exposes it to high asset concentration risk. The lessee concentration risk is also high for the mall, with its top five tenants accounting for 66% of the total leasable area and 65% of the total annual estimated rental income.

Liquidity position: Stretched

The liquidity position is **stretched**. The company currently has cash and equivalents of Rs. 1.35 crore (including Rs. 1.2 crore in escrow account) and has negligible undrawn bank lines and modest cash flow cover. With sizeable repayments coming up, BREDPL is dependent on timely support from Group companies or sale of space in the mall. Further, the LRD loan does not have a DSRA, which may meet any short-term cash flow mismatches.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant improvement in rental income or if the company is able to reduce its leverage and improve the debt protection metrics considerably through sale of space in the mall or Group support.

Negative factors – Sustained pressure on earnings on account of lower-than-expected rental income deteriorating its debt protection metrics and liquidity position, or a delay in receipt of support from Group companies or sale of space in the mall, could exert downward pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Approach - Lease Rental Discounting (LRD)
Parent/Group Support	Not applicable

Consolidation/Standalone	Standalone

About the company

The Bardiya Group has been active as a real estate developer, gemstone trade house and mining business group in and around Jaipur. The Group ventured into the real estate business in the early 1990s with the launch of Gaurav Tower (GT), one of the first shopping destinations of Jaipur. The Group has focused its attention on acquiring large land banks at the city's premium locations. It has a prominent land bank near the Jaipur airport and across the heart of the city.

The Group developed GT Central Mall in 2013 under BREDPL. GT Central is surrounded by projects such as GT, Crystal Court, World Trade Park, Jaipur Stock Exchange, etc. The total land area of GT is 2,565 sq. mt. The mall has four floors and a basement with a total leasable/saleable area of 1.35 lakh sq. ft. The company has sold/leased out 87% of the developed space. The mall has a mix of flagship stores, vanilla stores, shops and food court. The brands which are at present on board are Inox, Reliance Trends, Reliance Footprint, Oneplus (mobile store), Burger King, Pizza Hut, Dominos, State Bank of India, Modern Masti, Ximi Vogue, etc. The property has an average daily footfall of up to 20,000 people and 35,000-40,000 people during weekend.

Key financial indicators

	FY2020	FY2021
	Audited	Provisional
Operating Income (Rs. crore)	14.41	6.55
PAT (Rs. crore)	3.18	-1.16
OPBDIT/OI (%)	71.32%	66.27%
PAT/OI (%)	21.83%	-17.72%
Total Outside Liabilities/Tangible Net Worth (times)	17.36	22.59
Total Debt/OPBDIT (times)	8.82	21.88
Interest Coverage (times)	1.10	0.50

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 Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on November 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021			Date & Rating in FY2020	Date & Rating in FY2019
					January 20, 2022	January 18, 2021	October 08, 2020	May 12, 2020	September 13, 2019	-
1	Fund-based – Term Loan	Long-term	86.50	86.50	[ICRA]B+ (Stable)	[ICRA]BB- (Negative)	[ICRA]BB- (Negative)	[ICRA]BB (Negative)	[ICRA]BB (Stable)	-

Complexity level of the rated instruments

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, is available on ICRA's website: 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
NA	Long-term: Fund based – Term Loan	July 2020	-	July 2033	83.91	[ICRA]B+ (Stable)
NA	Long-term: Fund based – Funded Interest Term Loan	FY2022	-	FY2023	2.59	[ICRA]B+ (Stable)

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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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.

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