

## Express Infrastructure Private Limited

April 07, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	37.24 (Reduced from 46.12)	CARE AA-; Stable (Double A Minus; Outlook: Stable )	Reaffirmed; Outlook revised from Negative
<b>Total Bank Facilities</b>	<b>37.24</b> <b>(Rs. Thirty-Seven Crore and Twenty-Four Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

*The revision in the outlook from “Negative” to “Stable” factors in the sustained ramp-up in mall operations since Q3FY21 onwards leading to improvement in the rental collections and limited impact on the company’s cash flows due to Covid-19 disruption.*

*The rating assigned to the bank facilities of Express Infrastructure Private Limited (EIPL) continues to derive strength from the experience of promoters & management team, prime location of Express Avenue (EA) mall, high occupancy levels in both retail area and adjoining office space with reputed client profile and comfortable capital structure and liquidity profile.*

*The rating is, however, constrained by risk associated with operating an asset from a single location, and inherent risks associated with real estate sector resulting in susceptibility of lease renewals and rentals.*

### Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Further diversification of revenue stream resulting in reduction of the risk associated with presence in single location.

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Any significant decline in the overall occupancy levels and rental rates.
- Any significant debt-funded capex/investments, leading to weakening of capital structure.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### **Experienced promoters and management team**

Express Newspapers Private Limited (ENPL), the parent company of Express Infrastructure Private Limited (EIPL), is a closely-held family owned company of the Indian Express Group. Ms. Saroj Goenka, Chairperson of EIPL, has more than four decades of industry experience and the business operations of EIPL have benefited from her long established track record in diversified businesses and vast industry network developed over the years. Ms. Kavita Singhania, Managing Director, manages the day-to-day activities of the company, and is supported by an experienced management team.

##### **Prime location of the mall in the heart of the Chennai city**

Express Avenue mall (EA) is situated at the heart of Chennai (Central Business District) on 10.34 acre land in a prime location adjacent to the arterial Anna Salai (Mount Road) and is easily accessible from all parts of the city. The mall is surrounded by road on the three sides, enabling flexible entry and exit. Location and well-designed nature of the mall with huge parking area places EA in an advantageous position over other major malls in Chennai. It may also be noted that EA is closer to the newly established Chennai Metro railway station, which further increases its accessibility.

##### **Stable track record of operations with high occupancy levels**

EA started operations in August 2010 and within a short span, the mall has established itself as one of the preferred shopping destinations in Chennai city. The mall has a stable track record of operations and the overall occupancy level of the mall continues to remain high. The mall has 7.95 lakh sq. ft. of leasable retail space and the occupancy level has been over 90% since inception. The occupancy rate stood at 98% as on February 2021, with the space being occupied by reputed clients including PVR Multiplex, Future Retail Limited, Lifestyle International Private Limited, and brands like H&M, Marks and Spencer’s, Westside, Pantaloons and Home Centre. Further, all major clients occupying the retail space of the mall has renewed the lease agreement at least once and the company has been able to retain a number of renowned international fashions and apparel brands at relatively higher rentals for the retail space. The occupancy level for commercial space also

stood over 90% in the last few years, with the space being occupied by reputed clients such as Samsung India Electronics Private Limited and Bank of America.

**Covid-19 impact:**

- On account of Covid-19 induced lockdowns and orders of both central and state governments, the mall was shut down for over five months (March 17, 2020 to August 31, 2020). The mall was reopened during first week of September 2020 upon relaxation of lockdown measures by the state government. For FY21, the company's total income is expected to moderate largely due to waiver of rental charges for customers during the year. For the customers in the mall, the company had provided complete rental waiver during shut down period (April-August 2021) and subsequently shifted to a blended rental model (50% fixed + 50% revenue share) in order to provide some relief for its customers during September-December 2020. However, from January 2021, barring few smaller customers, monthly billing for others has returned to pre-covid levels. It is to be noted that income from variable fee stood at Rs.7.90 crore in FY20 as compared to Rs.7.25 crore in FY19.
- The company had not availed any moratorium on its debt obligations during Mar-Aug 2020 as per RBI's relief package.

**Healthy improvement in performance in FY20; Income from mall operations to decline in FY21 due to Covid-19 impact**

EIPL reported healthy improvement in performance in FY20 with the company registering a y-o-y growth of 12% in total operating income to Rs.234 crore from Rs.204 crore in FY19. For FY20, the company reported PAT of Rs.86 crore (PY: Rs.53 crore) and GCA of Rs.106 crore (PY: Rs.69 crore). The growth in revenue was due to increase in rental income and the higher income from investment (Rs.14.8 crore booked as profit from redemption of mutual fund in FY20). Aided, by the increase in income, the company's profit levels also improved with EIPL reporting PBILDT of Rs.144 crore in FY20 (PY: Rs.118 crore).

For FY21, EIPL's income from mall operations have been impacted due to the Covid-19 related waiver in rentals. For 11mFY21 (refers to period April 01 to February 28), EIPL reported total income of Rs.75.7 crore. Further, the company plans to book income and related expenditure with respect to the real estate project during FY21.

**Comfortable capital structure**

EIPL has a comfortable capital structure with both debt-equity and overall gearing ratio remaining low as on March 31, 2020. The overall gearing improved to 0.08x as on March 31, 2020 as against 0.33x as on March 31, 2019, as it made significant prepayment of term loan during FY20. For FY20, the debt coverage indicators remained comfortable viz., interest coverage ratio at 14.42x (PY: 4.83x) and Total Debt/GCA at 0.42 years (PY: 2.06 years).

Furthermore, EIPL has a comfortable liquidity profile at the back of healthy accruals and high cash & bank balance/investments.

**Key Rating Weaknesses**

**Renewability risk of lease contracts**

The company has entered into long-term lease and license agreements in the range of 9 to 25 years with most of its key tenants. Majority of the lease and license agreements have an initial lock-in for 3 years, after which tenants have an option to terminate the lease by giving 6 months' notice without any charges. However, most of the existing tenants have continued to occupy their retail spaces post the expiry of their initial lock-in period and have also completed multiple rounds of escalations. However, in the event of vacancy created by tenants, the ability of EIPL to find replacement in a timely manner is critical to its prospects.

**Residential project – Express Exclusive (EE)**

EIPL is currently undertaking development and marketing of a luxury residential apartment, Express Exclusive (EE), with a total saleable area of 4.29 lsft, on land measuring 4.76 acres (adjacent to EA) owned by a group company Express Exclusive Developers Private Limited (EEDPL). The project includes construction of 153 premium units and 89 units for Economically Weaker Section (EWS). As of March 2020, the company has completed the civil construction works with respect to the project at a cost of around Rs.300 crore, of which around Rs.30 crore of capex creditors remains to be settled by the company. The project was primarily funded from internal accruals itself. As of February 2021, the project has seen booking to the extent of 35 premium units and 33 EWS units. Given the slower than anticipated booking progress, the company is planning to lease-out the premium units and convert the EWS units into hotel rooms for its E-hotel. Ability of the company to monetize the residential project assets and any additional debt drawdown with respect to this project will be key rating monitorables. Given that EIPL is yet book income on the old units, the entire expenditure on the project is classified as inventory (work-in-progress). As a result, overall operating cycle of the company remains elongated.

**Prospects**

The prospect in medium to long term period will depend upon the ability of the company to successfully negotiate its future price escalation agreements with key clients, maintain high occupancy in its retail & commercial space and monetization of residential project.

### Liquidity: Adequate

The company has been generating sufficient cash accruals vis-à-vis the repayment obligations and maintains high cash & bank balance/investments. The company has generated gross accruals to the tune of Rs.106 crore during FY20. The company had cash balance of Rs.133.6 crore (mostly in bank fixed deposits and liquid mutual fund investments) as on February 28, 2021. Scheduled repayment obligation for FY21 stood at Rs.12 crore.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios \(Non-Financial Sector\)](#)

[Rating Methodology for debt backed by Lease Rental Discounting](#)

[Rating Methodology – Real Estate Sector](#)

### About the Company

Express Infrastructure Private Limited (EIPL) belongs to the Indian Express group and is a wholly-owned subsidiary of Express Newspapers Private Limited (ENPL). EIPL owns and operates a multi-use commercial shopping mall, Express Avenue (EA), at Whites Road near Anna Salai (Mount Road), a prime location in the Central Business District (CBD) of Chennai. EA houses a retail area of 7.95 lakh sq ft and two commercial office space towers with a leasable area of 1.90 lakh sq ft. The company also operates a hotel called "E-hotel" within the same premises. E-hotel is a 4-star facility and started operations in April 2013.

EIPL is currently developing a real estate project – 'Express Exclusive', which is a premium residential project located adjacent to the EA mall. While the land for the project is owned by a group company Express Exclusive Developers Private Limited (EEDPL), the construction and marketing is managed by EIPL.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	208	234
PBILDT	118	144
PAT	53	86
Overall gearing (times)	0.33	0.08
Interest coverage (times)	4.83	14.42

A: Audited;

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

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	January 2025	37.24	CARE AA-; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	37.24	CARE AA-; Stable	1)CARE AA-; Negative (17-Jul-20) 2)CARE AA-; Stable (06-Apr-20)	1)CARE AA-; Stable (02-Apr-19)	-	1)CARE AA-; Stable (23-Jan-18)
2.	Commercial Paper- Commercial Paper (Carved out)	ST	-	-	-	1)Withdrawn (02-Apr-19)	-	1)CARE A1+ (23-Jan-18)

**Annexure-3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

**Annexure-4: Detailed explanation of covenants of the rated instrument / facilities – NA**

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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