Unique Estates Development Company Limited (Revised)

April 7, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	375.30 (Reduced from 376.00)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed and removed from Credit watch with Negative Implications; Stable outlook assigned
Total Bank Facilities	**375.30 (Rs. Three Hundred Seventy-Five Crore and Thirty Lakhs Only)**		
Fixed Deposit	55.00 (Reduced from 60.00)	CARE A (FD); Stable [Single A (Fixed Deposit); Outlook: Stable]	Reaffirmed and removed from Credit watch with Negative Implications; Stable outlook assigned
Total Medium Term Instruments	**55.00 (Rs. Fifty-Five Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation (removed from Credit Watch with Negative Implication and assigned stable Outlook) of the ratings assigned to the bank facilities and fixed deposit issue of Unique Estate Development Company Ltd. (UECL) factors in the improvement in the credit risk profile of the company on account of improvement of cash flows in 10MFY22 (refers to the period April to January) as against lower cashflows in FY21. The Cash flows in FY21 and beginning of FY22 (i.e April to August) remained at lower levels on account of challenging market conditions and elevated business risk as reflected in disruption in mall operation due to Covid-19 outbreak. However, from Sept 2021 the recovery in operations has been observed.

The ratings continue to factor in proven track record of the promoter group combined with experienced management, prime location of mall properties, healthy occupancy levels though moderated to an extent with increase in roll over risk amidst challenging business environment, adequate liquidity and future inflow from completed residential units coupled with presence of Debt Service Reserve Account (DSRA) and comfortable capital structure. Also, the rating action takes into account implementation of the OTR (One Time Restructuring) proposal by the lenders.

The above rating strengths are, however, tempered by the reduced revenue levels in the last two financial years owing to the Covid-19 pandemic The rating also factors in geographic concentration and sizeable support to other group companies as well as inherently cyclical nature of real estate sectors.

Key Rating Sensitivities

Positive Factors

- Ability to receive lease rentals at competitive rates on time and optimum level of occupancy rate beyond 97% with collection efficiency of above 95% on sustained basis
- Total debt to annual lease rentals to be at 1.5x or lower.
- Significant reduction in exposure towards group companies.

Negative Factors

- Increase in vacancy by 10%.
- Deterioration of overall gearing above 0.60x.
- Higher reliance on debt or reduction in liquidity resulting into significant deterioration in financial risk profile of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with established brand image:

UECL is part of the K Raheja Constructions Group and is currently headed by Mr. Sandeep Raheja. The group has an experience of over six decades in real estate. K. Raheja Construction (promoter –group holding 100% in UECL), a company founded in 1956, has successfully completed various retail, hospitality, residential, Industrial and commercial projects all over India. The Group owns the brand 'Infiniti Mall', Infinity IT Park, Interface IT Park as well as the residential business comprising multiple

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

projects in Mumbai, Pune and Chennai. The promoter and the top management of UECL are well qualified and have a strong expertise in developing real-estate projects.

Prime location of malls in Mumbai micro-market:
The company has two operational malls in Mumbai (Andheri & Malad) under the brand name of 'Infiniti' (Aggregate Area-11.06 lakh sq. ft). Both the malls of UECL are located strategically in the Andheri-Borivali Zone which has healthy occupancy level of over 90-95% in past three years ending FY21. With one mall located in Andheri (West) and the other at Malad (West), they are well placed to cater to the large residential catchment area of Andheri- Borivali Zone in the the northern suburb of Mumbai where the affluence levels are higher than in other smaller micromarkets of Mumbai. The malls are well connected with all the modalities of transport and in the past have attracted healthy footfalls on the back of having healthy mix of anchor, mini anchor and refreshment tenants. Infiniti Andheri is one of the oldest malls in the western suburbs and Infiniti Malad is the second largest mall in the western region after Inorbit mall.

Healthy occupancy rate; albeit rollover risk persists:
The occupancy level of both the malls put together have remained healthy at 93.85% in FY22 which is slightly lesser the pre Covid level which used to be above 95%. Slight decline in occupancy was owing to vacancy of property by few tenants as the footfalls became sparse due to Covid and it had impacted the overall business for the tenants. As the loan tenure is longer than the existing lock-in period 3-5 years, hence there could be rollover risk in the event of challenging business environment as witnessed in FY21 and H1FY22. CARE Ratings however notes that the business environment for mall operators has significantly improved from H2FY22 with relaxation in guidelines of Government leading to increased footfalls. The agency believes that this could lead to further increase in the occupancy rate.

Reputed tenants having healthy credit risk profile, presence in diversified segments and long term association with UECL:
The group has demonstrated track record in maintaining relationship with corporate tenants over the years, as evident through its operations of Andheri mall (operational since 2005) wherein the company has not only been able to retain many reputed clients but also carry them forward to the Malad Mall. The common tenants across the malls include the likes of PVR, Pantaloons, Vero Moda and brands from Tata group companies like Westside, Starbucks, Tanishq, World of Titan, Titan Eye Plus, etc. The space is let out on long-term agreements. The malls also house brands like Bounce Inc., Westside, Vijay Sales, Croma, Zara, PVR, Park Avenue, Pantaloons, Nautica, PUMA, Reliance and Food Bazaar. Top 15 clients constitute around 75.39% of the rental income for Infiniti, Andheri and around 42.03% of the rental income for Infiniti, Malad. As aforementioned players have strong credit profile, the risk of receivables is reduced to a significant extent.

Additional cash flows from future sale of completed residential units on Interest Income:
The company has access to additional cash-flow amounting to around Rs.180 crore from unsold inventory of residential units of around 52,300 sq. ft. at Raheja Classique, Andheri. The Occupancy Certificate for the project is in place. There is no balance construction cost to be incurred or outstanding debt against the inventory. Going forward, cash flows from sale of this inventory shall support the revenue and liquidity profile of the company; however with the sales velocity in the past one and half year being very low, track record of realization of additional cash flows from sale of units is yet to be established Besides steady income from lease rentals, the company also earns other income in the form of interest income from loans given to the partnership firm Parkview Developers. Interest Income in FY21 had declined to Rs.24.63 crore as against Rs.95.24 crore in FY20 due to waiver of interest charges for 9 months (Apr to Dec 2020) receivable from Parkview Developers. However it had again increased in FY22.

Comfortable leverage profile:
Leverage profile of the company has been stagnant marked by debt to equity at 0.30x as on March 31, 2021. Overall gearing has marginally improved to 0.38x as on March 31, 2021 as against 0.40 on March 21, 2020. CARE Ratings expects overall gearing to be maintained at around 0.3x as at year end FY22. The capital structure of the company remained comfortable with debt equity and overall gearing ratios below unity as on March 31, 2021. Besides, presence of debt service reserve account DSRA equivalent to one month instalment (incl. interest) and Escrow of lease rental provides some comfort. PBILDT interest cover which weakened to 2.8x in FY21 (compared with 5.4x in FY20), is expected to display recovery to above 5.5x in FY22.

Key rating Weaknesses

Geographical Concentration:
The company has two operational malls under the brand name of 'Infiniti' (Aggregate Area-11.06 lakh sq. ft). Both the malls of the company are located in in the Andheri-Borivali Zone Mumbai (Andheri & Malad), thus company is exposed to risk of geographic concentration. Any downturn in such micro markets will impact company's revenues going forward. However, considering the large catchment area it serves, the same acts as a mitigant to an extent.

High exposure in group companies with increase in exposure in FY21 and no fixed repayment obligations:
K. Raheja Construction Group primarily has main business operations in three companies UECL, Palm Grove Beach Hotels Pvt. Ltd. (PGBHL, rated 'CARE BBB+; Negative' as on April 01, 2021) and Ferani Hotels Private Limited (FHPL, rated 'CARE BBB; Negative' as on January 06, 2021). These companies along with promoter have formed a partnership firm 'Park View Developers' where the surplus funds in all group companies are parked and utilized for any capex within the group thus providing financial support/flexibility for the entire group. As on March 31, 2021 UECL has investments in partnership firm Park View Developers of about Rs. 1,121 crore (Rs. 1,013 crore as on March 31, 2020) which is currently being used by other group companies and are repayable from surplus generated by the group companies in the future. There is no fixed repayment obligation on any of the group companies.

Liquidity Position: Adequate –

UEDCL had cash and fixed deposits (net of DSRA FD) balance of Rs.56.00 crore as on February 28, 2022 (the company earlier had cash and liquid investments of Rs.59.52 cr at year end FY21). The company has maintained liquidity in the form of debt service reserve accounts (DSRA) covering one month of debt service obligations. The company has principal repayments amounting to Rs. 5.00 crore in FY22 and Rs.59.85 crore in FY23. UEDCL generated gross cash accruals of Rs. 104.99 crore in 10MFY22 as against Rs. 54.96 in FY21. Hence the company's liquidity position is adequate with moderate working capital utilization and improved GCA.

Analytical approach: Standalone

Applicable Criteria
CARE's Policy on Definition of Default
Financial Ratios – Non financial sector
Analytical treatment of Restructuring - COVID
Rating Methodology: Notching by factoring linkages in Ratings
Liquidity Analysis of Non-financial sector entities
Rating Methodology for Debt backed by LRD

About the Company
Unique Estates Development Company Ltd. (UECL), incorporated in the year 1974, is a part of K Raheja Constructions Group. The company is engaged in development and management of malls and development of residential real estate project. The company has two operational malls in Mumbai (Andheri & Malad) under the brand name of 'Infiniti' (Aggregate Area-11.06 lakh sq. ft). Both the malls of UECL are located strategically in the Andheri-Borivali Zone which had average of about 93-95% occupancy level in past three years. Apart from the two malls above, UECL also has units in completed residential building 'Raheja Classique' at Oshiwara (with a total saleable area of 3.68 lsf; out of this 3.15 lsf has already been sold. There is no balance construction cost to be incurred or outstanding debt against the inventory.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	10MFY22 (UA)
Total operating income	351.47	171.56	228.11
PBILDT	228.02	103.62	154.99
PAT	161.24	40.74	92.49
Overall gearing (times)	0.40	0.38	0.35
Interest coverage (times)	5.41	2.75	5.31

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June-27	338.25	CARE A; Stable
Fund-based - LT-Bank Overdraft		-	-	July-29	37.05	CARE A; Stable
Fixed Deposit		-	-	-	55.00	CARE A (FD); 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	338.25	CARE A; Stable	1)CARE A (CWN) (06-Apr-21)	1)CARE A (CWN) (10-Nov-20) 2)CARE AA- (CWN) (22-Apr-20)	1)CARE AA-; Stable (19-Feb-20)	1)CARE AA-; Stable (18-Feb-19)
2	Fixed Deposit	LT	55.00	CARE A (FD); Stable	1)CARE A (FD) (CWN) (06-Apr-21)	1)CARE A (FD) (CWN) (10-Nov-20) 2)CARE AA- (FD) (CWN) (22-Apr-20)	1)CARE AA- (FD); Stable (19-Feb-20)	1)CARE AA- (FD); Stable (18-Feb-19) 2)CARE AA- (FD); Stable (30-Apr-18)
3	Fund-based - LT-Bank Overdraft	LT	37.05	CARE A; Stable	1)CARE A (CWN) (06-Apr-21)	1)CARE A (CWN) (10-Nov-20) 2)CARE AA- (CWN) (22-Apr-20)	1)CARE AA-; Stable (19-Feb-20)	1)CARE AA-; Stable (18-Feb-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
I FACR	FACR of 1.50 to be maintained during the currency of the loan i.e. LRD to not to exceed Rs. 424.00 cr - as per last available sanction letter dated 29.03.2017.
B. Non financial covenants	
I Change in structure	During the currency if the loans, the company will not, without bank's prior permission in writing formulate any scheme of amalgamation or reconstitution.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fixed Deposit	Simple
2	Fund-based - LT-Bank Overdraft	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please [click here]

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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