Unique Estates Development Company Limited

April 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	729.00 (Reduced from 745.00)	CARE A+; Stable	Reaffirmed
Fixed deposit	35.00 (Reduced from 55.00)	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities and fixed deposit issue of Unique Estates Development Company Limited (UEDCL) factors in the proven track record of the promoter group and experienced and resourceful management, prime location of mall properties, healthy occupancy levels, and presence of well-known brands as tenants having a healthy credit risk profile. The profile of tenants in malls are across segments and have long-term association with the company. ratings also consider access to additional free cash flows from future sale of completed residential units and other income from investments, comfortable capital structure, strong coverage indicators, strong liquidity, and presence of escrow mechanism for deposit of lease rent receivables as well as maintenance of debt service reserve account (DSRA) for two months of interest and principal repayment.
However, rating strengths are tempered by geographic concentration, moderate rollover risk, sizeable support to other group companies and the inherently cyclical retail sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Receiving lease rentals at competitive rates on time and sustaining optimum level of occupancy rate beyond 97% with collection efficiency of above 95%.
- Significantly reducing exposure towards group companies.

Negative factors

- Increasing vacancy by 10%.
- Deteriorating overall gearing above 0.75x.
- Higher reliance on debt or reducing liquidity, resulting in significantly deteriorating in financial risk profile.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the rated entity is likely to sustain its growth momentum amid favourable business environment that shall enable it to maintain the envisaged operating performance over the near-to-medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established brand image

UEDCL is part of the K Raheja Construction Group and is currently headed by Sandeep Raheja. The group has an experience of over six decades in real estate. K Raheja Construction (promoter group holding 100% in UEDCL), a company founded in 1956, has successfully completed retail, hospitality, residential, industrial, and commercial projects all over India. The group under its brand, Infiniti, operates malls, while the portfolio includes several asset classes including mall, residential and commercial projects, and hotels spanned across Mumbai, Pune, and Chennai. The promoter and top management of UEDCL are well-qualified and have a strong expertise in developing real-estate projects.

Prime location of malls in the Mumbai micro-market

The company has two operational malls in Mumbai (Andheri and Malad) under the brand name 'Infiniti' (aggregate area 11.13 lakh sq. ft). Both UEDCL's malls are located strategically in the Andheri-Borivali Zone, which has healthy occupancy level of around 93%-95% in three-years ending FY23. With one mall in Andheri (West) and the other at Malad (West), they are well placed to cater to the large residential area of Andheri-Borivali Zone in the northern suburb of Mumbai, where affluence levels are higher

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

than in other smaller micro-markets of Mumbai. Malls are well connected with all modalities of transport and have attracted healthy footfalls due to having healthy mix of anchor, mini-anchor and refreshment tenants. Infiniti Andheri is one of the oldest malls in the western suburbs.

Healthy occupancy rate despite persisting rollover risk

The occupancy level of both malls put together have remained healthy at 93% in FY23 and in 9MFY24 it improved to around 94.38% owing to continued attractive footfalls post the pandemic. As loan tenure is longer than existing lock-in period of 3-5 years and lease agreements of around on an average 15% annually for the next three years is upcoming for renewal, agreement roll-over risk exists to a certain extent. However, comfort can be drawn from strategic location of the property, fit-out cost being incurred by tenants and longer tenure of lease agreements. Despite the competition faced from other nearby malls, both malls have been able to roll over arrangement with its existing customers and have also added new tenants, reducing rollover risk to a large extent.

Reputed tenants having healthy credit risk profile, presence in diversified segments and long-term association with UEDCL

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), where the company has been able to retain many reputed clients and carry them forward to the Malad Mall. The common tenants across malls include the likes of PVR, Pantaloons, Vero Moda, and brands from Tata group companies such as Westside, Starbucks, and Tanishq among others. The space is rented on long-term agreements. Malls also house brands including Bounce Inc., Vijay Sales, Croma, Zara, Park Avenue, Nautica, and PUMA. Top 15 clients constitute around 79.94 % (PY-75.23%) of rental income for Infiniti Andheri and around 40.54% (PY-40.79%) of the rental income for Infiniti Malad. These 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 and interest income

The company has access to additional cash flow, amounting to around ₹223.13 crore from unsold inventory of residential units of around 42,500 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 company's revenue and liquidity profile; however, with sales velocity in the last two years being very low, track record of realisation of additional cash flows from sale of units is yet to be established. Apart from steady income from lease rentals, the company also earns other income as interest income from loans given to the partnership firm, Parkview Developers.

Comfortable leverage profile

Overall gearing improved at 0.26x in FY23 with debt equity and overall gearing ratios below unity as on March 31, 2023. The presence of DSRA equivalent to two-month instalment (including interest) and Escrow of lease rental for the malls provides comfort. Debt coverage metrics marked by total debt to gross cash accruals (TD/GCA) improved to 2.17x in FY23 as compared to 3.79x in FY22 owing to improving cash accruals due to continued operational efficiency shown by the mall after the pandemic. Interest coverage improved to 5.86x in FY23 as compared with 2.93x in FY22, while it was at 2.96x as on 9MFY24 due to drawdown of further loan.

Key weaknesses

Geographical concentration

The company has two operational malls under the brand name Infiniti (aggregate area-11.13 lakh sq. ft). Both malls are in the Andheri-Borivali Zone Mumbai (Andheri and Malad), thus, the company is exposed to the risk of geographic concentration. Downturn in such micro markets will impact the company's revenues going forward. However, considering the large catchment area it serves, this acts as a mitigant to an extent.

High exposure in group companies from advances with no fixed repayment obligations

K Raheja Construction Group primarily has main business operations in three companies UEDCL, Palm Grove Beach Hotels Private Limited (PGBHPL, rated CARE BBB+; Stable as on April 02, 2024), and Ferani Hotels Private Limited (FHPL, rated CARE BBB; Stable as on April 02, 2024). These companies and the promoter have formed a partnership firm Park View Developers, where the surplus funds in all group companies are parked and utilised for capex within the group, providing financial support/flexibility for the entire group. As on March 31, 2023, UEDCL has investments in partnership firm Park View Developers of about ₹1,119 crore (PY - ₹1,101 crore), 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 group companies.

Capex planned in Chennai

UEDCL has drawn further money from its existing LRD facility to buy substantial stake in a Chennai based company holding ~16-acre land. The company plans to construct a combination of mall and residential/commercial project to utilise the complete area. UEDCL acquired majority stake in this family-owned Chennai based company and is in active talks to buy the balance stake. The construction plans and means of finance is not yet finalised.

Liquidity: Adequate

UEDCL has principal repayments amounting to ₹14.40 crore in FY25, and FY26. As on January 31, 2024, UEDCL has free cash and bank balance (including FD) of around ₹154 crore. The company also has an overdraft facility of ₹50 crore (as a sub limit of term loan) sanctioned by Indian Bank, which is moderately utilised. The company also maintained liquidity as debt service reserve accounts (DSRA) covering two month of debt service obligations.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Rating methodology for Debt backed by lease rentals
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

UEDCL, incorporated in 1974, is part of K Raheja Constructions Group. The company is engaged in developing and managing malls and developing residential real estate project. The company has two operational malls in Mumbai (Andheri & Malad) under the brand name Infiniti (aggregate area-11.13 lakh sq. ft). Both malls are located strategically in the Andheri-Borivali Zone, which had average of about 93-95% occupancy level in the last three years. Apart from the two malls above, UEDCL also has units in completed residential building Raheja Classique at Oshiwara with a total saleable area of 3.68 lsf; of this 3.25 lsf has already been sold.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	192.72	299.53	214.17
PBILDT	103.40	174.05	128.77
PAT	98.31	153.73	130.26
Overall gearing (times)	0.34	0.26	NA
Interest coverage (times)	2.93	5.86	2.96

A: Audited, UA: Unaudited, NA: Not Available, Note: These are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Not applicable

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	-	35.00	CARE A+; Stable
Fund-based - LT-Bank Overdraft		-	-	-	50.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	31-03-2037	679.00	CARE A+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	679.00	CARE A+; Stable	1)CARE A+; Stable (03-Apr-23)	1)CARE A; Stable (08-Apr-22)	1)CARE A (CW with Negative Implications) (06-Apr-21)	1)CARE A (CW with Negative Implications) (10-Nov-20) 2)CARE AA- (CW with Negative Implications) (22-Apr-20)
2	Fixed Deposit	LT	35.00	CARE A+; Stable	1)CARE A+; Stable (03-Apr-23)	1)CARE A; Stable (22-Jun-22) 2)CARE A (FD); Stable (08-Apr-22)	1)CARE A (FD) (CW with Negative Implications) (06-Apr-21)	1)CARE A (FD) (CW with Negative Implications) (10-Nov-20) 2)CARE AA- (FD) (CWN) (22-Apr-20)
3	Fund-based - LT-Bank Overdraft	LT	50.00	CARE A+; Stable	1)CARE A+; Stable (03-Apr-23)	1)CARE A; Stable (08-Apr-22)	1)CARE A (CW with Negative Implications) (06-Apr-21)	1)CARE A (CW with Negative Implications) (10-Nov-20) 2)CARE AA- (CW with Negative Implications) (22-Apr-20)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for dclarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Divyesh Bharat Shah Director **CARE Ratings Limited** Phone: 020-4000 9069 E-mail: divyesh.shah@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Amita Yadav Assistant Director **CARE Ratings Limited** Phone: 020-4000 9004 E-mail: amita.yadav@careedge.in Jay Agarwal Lead Analyst **CARE Ratings Limited** E-mail: Jay.agarwal@careedge.in

About us:
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