

Quest Properties India Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	30.00	CARE A-; Stable	Reaffirmed
Long-term bank facilities	3.00	CARE A-; Stable	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of rating assigned to bank facilities of Quest Properties India Limited (QPIL) derives strength from being part of established promoter group, RP Sanjiv Goenka group (RP-SG group), resourceful management, prime location of the mall, comfortable debt metrics, presence of well-known national and international brands as tenants having a healthy credit risk profile coupled with successful renewal of majority lease contracts with existing tenants at higher rentals and revenue sharing clause. However, rating strengths are partially offset by geographical concentration risk, project execution risk associated with ongoing refurbishment, and inherent agreement roll-over risk. The rating is further constrained by exposure to group in the form of investment of surplus cash flows in subsidiaries, alternate investment funds and start-ups, and letter of comfort extended by QPIL to fellow subsidiaries Guiltfree Industries Limited (GIL) and Apricot Foods Private Limited (Apricot).

CARE Ratings Limited (CARE Ratings) takes note of continuous dip in occupancy levels from 96% in FY22 to 91% in FY23 and to 90% in FY24 and expected time lag in re-leasing vacant spaces, given the ongoing refurbishment in the mall and re-alignment of brands within the mall.

CARE Ratings has withdrawn the rating assigned to long-term bank facility based on the 'No Dues Certificate' received from the bank.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in debt to rentals (<1x) on a sustained basis.

Negative factors

- Decline in occupancy to 85% or below on a sustained basis.
- Any un-envisaged significant addition in debt resulting in deterioration in debt to rentals (>3x) on a sustained basis.
- Any substantial increase in exposure (both fund and non-fund based) towards group entities, significantly impacting the liquidity position of the company.

Analytical approach: Standalone, along with factoring in linkages with the RP-SG Group.

Outlook: Stable

Stable outlook reflects the company's ability to sustain its performance, considering healthy occupancy level and reputed tenant profile.

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

Detailed description of key rating drivers:**Key strengths****Established promoter group with presence across diverse business verticals**

QPIL is part of the RP-Sanjiv Goenka Group. It is a 100% subsidiary of RPSG Ventures Limited (rated CARE BBB+; Stable). CESC Limited (rated CARE AA; Negative/CARE A1+), a 122-year-old power utility company, is the group's flagship company, engaged in power generation, transmission and distribution to Kolkata, Howrah, and adjoining areas. The group has interests across diverse business segments such as power, infrastructure, carbon black, retail, education, BPO and IT services, media & entertainment, packaged food, and beauty. The group diversified into real estate business through construction of Quest mall in Kolkata. Spencer's Retail Limited (rated CARE BBB-; Stable/ CARE A3), a well-known supermarket retail chain is also owned by the group. Being part of a large and established group, QPIL enjoys financial flexibility.

Reputed Clientele - mix of national and international brands

QPIL generates stable revenue in the form of rental income by leasing out ~3.72 lsf at Quest Mall located near Park Circus, Kolkata. The tenants comprise of prominent international and luxury brands such as Gucci, Tommy Hilfiger, Burberry, Canali, Emporio Armani, TUMI, Michael Kors, Omega, Rolex and others. Lessees also include well-known national brands such as Lifestyle, Satya Paul, Little shop, and Spencer's. The reputed tenant basket helps attract footfall and leads to lower counterparty risk. The company also derives revenue from maintenance, parking income and others. The anchor shops namely Lifestyle International Private Limited, Inox Leisure Limited, Spencer's Retail Limited (CARE BBB-; Stable/ CARE A3), and Global Kitchen – Food court occupy a larger area size i.e., ~50% of the total leased out area as of March-24.

Favourable location of the mall with satisfactory operational track record

The mall is in a residential area close to Park Street, Theatre Road, Ballygunge, and the Sealdah area. Absence of premium malls in this neighbourhood presents Quest with an opportunity to serve a larger audience. Its central location in Kolkata offers excellent connectivity, with multiple modes of transport easily accessible. Since its opening, the mall has attracted a significant number of visitors, owing to its unique offering of luxury brands.

Comfortable capital structure marked by satisfactory total debt to rentals ratio

The company's capital structure remained comfortable with overall gearing ratio at 0.45x as on March 31, 2024, compared to 0.62x as on March 31, 2023. Improved overall gearing was due to repayment of term loan and improved net worth.

The debt protection metrics saw improvement on back of increasing accruals. Total debt to gross cash accruals (TD/GCA) and interest coverage ratio improved from 3.19x and 4x in FY23 to 2.51x and 4.46x in FY24 respectively. TD to rentals stood at ~1.79x in FY24 improved from 2.35x in FY23. Loan to-value (LTV) stood at ~33% as on March 31, 2024.

Going ahead, with proposed debt of ₹50 crore, overall gearing, TD to rentals and LTV may go up to 0.59x, 1.99x and 44% respectively in FY25.

Key weaknesses**Revenue and Geographical concentration risk**

The project is exposed to geographical concentration risk inherent with single project portfolios. The company in its project portfolio has single office park and the entire leasable area is positioned at a single micro-market in Ballygunge, Kolkata. Any adverse development or decline in demand in such micro-market may significantly impact the rentals and occupancy of the company. Nevertheless, prime location of the asset and the large catchment area it serves, reduces risk to certain extent.

Inherent renewal risk for lease agreement

The company has entered into long-term leases with tenants ranging from 6-9 years, where lock-in is mostly for three years. The mall is exposed to lease renewal risk post expiry of lease. However, with fit outs incurred by tenants and favourable location of the mall renewal risk is mitigated to a certain extent. Timely renewal of leases or scouting of new tenants without rent loss will be critical from a credit perspective.

Exposure to group companies

The Company is exposed to Letter of Comfort (LC) provided to Guiltfree Industries Limited (GIL) amounting to ₹234 crore as on March 31, 2024. In FY24 QPIL gave an additional LOC for ₹50 crore for purchase invoice discounting facility taken by Apricot Foods Private Limited, taking the total LOC exposure to ₹284 crore as of March 31, 2024. Considering these, adjusted gearing stood at 1.17x as of March 24. It must be noted that even when GIL is incurring operational level losses, such LC has not been

invoked as it is regularly servicing debt related obligations. This is through support from RPSG Ventures Limited (parent of both QPIL and GIL), which has been regularly infusing funds in GIL. Apart from this, exposure to subsidiaries have also gone up from ₹22.80 crore to ₹23.46 crore mainly infused in RP-SG Unique Advisory LLP. Any further support extended to the group companies will remain key rating monitorable.

Increase in investment in alternate investment funds and start-ups

The total exposure in AIF and startups for the company increased from ₹112.57 crore as on March 31, 2023, to ₹135.28 crore as on March 31, 2024. Investments in RPSG Alternate Investment Funds (AIF) increased from ₹102.86 crore as on March 31, 2023, to ₹125.76 crore as on March 31, 2024. The company still has a commitment of ~₹128 crore to be invested over next 3-4 years in AIF. The company received an income of ~₹11.88 crore from investment in AIF, however, these investments are less liquid in nature and liquidity/repatriation from AIF remains to be seen.

Capex panned

The company is planning to revamp the entire mall in a substantial way, to address mall fatigue. Under the planned revamp, the company has already undertaken a complete redesign of the food court and is planning to renovate the exterior façade and change some of the interior and entrance of the mall, which would entail close to ₹70-80 crore. The cost of revamp will be funded through debt of ₹50 crore and balance through internal accruals. The Company is reorganising brand placements within the mall. During the period of revamp and brand shifting, the mall will not be closed, however there will be a time lag in re-leasing the vacant space resulting in no revenue growth in that period.

Liquidity: Adequate

As of March 31, 2024, the company holds a free cash balance of ₹28.94 crore. Further, for FY25, it is expected to generate rental income of ₹102 crore and net operating income of ₹79 crore. The unutilised OD limit of ₹30 crore provides additional liquidity cushion. The company has a commitment to invest ₹128 crore in the next 3-4 years in a group AIF. Additionally, the company has planned a capex of ₹80 crore, which is anticipated to be funded through ₹50 crore in debt, and balance by cash accruals. The planned term loan of ₹50 crore is expected to be fully repaid by FY27, with an anticipated debt repayment obligation of ₹16 crore in FY25. Given the mall's high occupancy rate, cash accruals are expected to comfortably cover proposed debt repayment, AIF commitment and capex requirements.

The company's liquidity is further strengthened by financial flexibility of being part of the RP-SG Group, with potential for additional funding support from RPSG Ventures Limited, if required.

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Rating methodology for Debt backed by lease rentals](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

A 100% subsidiary of RPSG Ventures Limited, QPIL was incorporated on February 2006, which is part of the Kolkata-based RP-Sanjiv Goenka group. QPIL commissioned operations in November 2013 as Kolkata's first in its class luxury mall and second largest mall, which is home to established global brands spread over a shopping area of around four lakh square feet with parking facility for over 1,000 cars. QPIL received several accolades in FY24, which –include, 'Shopping mall of the Year – East', 'Regional Shopping Mall of the Year-East', 'Most Admired Shopping Centre of the Year 2023 -Metro East' and other reputed awards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	139.31	141.21
PBILDT	91.57	94.75
PAT	38.34	53.49
Overall gearing (times)	0.62	0.45
Interest coverage (times)	4.00	4.46

A: Audited; 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

Detailed explanation of covenants of rated instrument / facility: Annexure-3

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	April 2024	0.00	Withdrawn
Non-fund-based - LT-Bank Guarantee		-	-	-	3.00	CARE A-; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (23-Jun-22)	1)CARE A-; Negative (04-Aug-21)
2	Fund-based - LT-Cash Credit	LT	30.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (23-Jun-22)	1)CARE A-; Negative (04-Aug-21)
3	Non-fund-based - LT-Bank Guarantee	LT	3.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (23-Jun-22)	1)CARE A-; Negative (04-Aug-21)

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	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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 clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Divyesh Bharat Shah Director CARE Ratings Limited Phone: +91-20-4000 9069 E-mail: divyesh.shah@careedge.in</p> <p>Amita Yadav Assistant Director CARE Ratings Limited Phone: +91-20-4000 9004 E-mail: amita.yadav@careedge.in</p> <p>Vaibhav Asnani Analyst CARE Ratings Limited E-mail: Vaibhav.asnani@careedge.in</p>
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About us:

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