Inorbit Malls (India) Private Limited

December 18, 2024

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	850.00	CARE A; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to bank facilities of Inorbit Malls (India) Private Limited (IMPL) derives strength from strong managerial and financial linkages with K Raheja Corp (KRC) group (promoted by Chandru Raheja and family), and significant financial flexibility from being part of the group. The rating also favourably factors in healthy occupancy levels of the Inorbit mall portfolio being operated by entity across five cities at prime locations with robust brand mix. The company generates healthy cash flows through stable rental income from minimum monthly rentals, significant revenue share, and interest income from group companies. Ring-fencing leasing income of operational assets (on which lease rental discounting [LRD] loans are availed) with escrow mechanism in place, along with adequate liquidity marked by maintenance of debt service reserve account (DSRA) equivalent to one quarter of debt servicing for LRD loans and satisfactory cash coverage ratio (CCR), further strengthens the rating.

However, rating strengths are partially offset by moderately leveraged financial risk profile, execution risk associated with under-construction project, agreement roll over risk, and large exposure to group companies at consolidated level.

Going forward, ability of IMPL and its subsidiary – Trion Properties Private Limited (TPPL; rated CARE A-; Stable) to complete and lease upcoming projects in Vizag, Vadodara phase-II and Hubbali on time, and the realisation of expected rental rates, will be critical for efficient refinancing of loans associated with these projects and will remain a key rating monitorable. CARE Ratings Limited (CARE Ratings) expects the group to provide adequate support to the entity, either through recoupment of unsecured loans or other means, during contingencies.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in external debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) below 5x with CCR above 1.30x, on a consistent basis.

Negative factors

- Decline in rental income as a result of vacancies or realisation of lower rental rates, leading to decline in CCR below 1.20 times for operational portfolio, on sustained basis.
- Higher-than-envisaged debt levels leading to deterioration in External debt/EBITDA over 7 times or loan-to-value (LTV) above 50%, on sustained basis.
- Unfavourable outcome of ongoing litigations, adversely impacting the company's financial profile.

Analytical approach: Consolidated.

CARE Ratings has considered the consolidated business and financial risk profile of IMPL and its subsidiary (TPPL), as these entities are in the same line of business and linked through a parent-subsidiary relationship. Furthermore, the entities have common management, and significant operational and financial linkages. Annexure-6 details the list of companies considered in the consolidation. Additionally, comfort is derived from strong managerial and financial linkages of IMPL with KRC group.

Outlook: Stable.

The stable outlook reflects CARE Ratings' belief that IMPL will continue to generate adequate cash flows driven by healthy occupancy level and regular escalations. IMPL is expected to continue deriving benefit from the healthy financial flexibility as associated with strong promoters.

Detailed description of key rating drivers:

Key strengths

Strong promoter group with vast experience in real estate development

Promoted by Chandru Raheja, the KRC group is a well-established real estate developer with a diverse portfolio that includes commercial, residential, retail, hospitality, and malls leasing. The group operates several prominent brands, such as Mindspace Business Parks, Commerzone, Shoppers Stop, Inorbit Malls, and Chalet Hotels. Key listed companies operating within the group

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

include Mindspace Business Parks REIT (Market cap of ₹21,695 crore as on December 12, 2024, Chalet Hotels Limited (Market cap of ₹22,008 crore as on December 12, 2024) and Shoppers Stop Limited (Market cap of ₹6,622 crore as on December 12, 2024). With a strong presence in major cities including Mumbai, Hyderabad, Pune, and Chennai, the group has developed over 60 million square feet (msf) of commercial, retail and residential space.
The group manages its entire commercial mall leasing business through IMPL and TPPL, with TPPL being a wholly owned subsidiary of IMPL. IMPL and TPPL manage a portfolio of five malls in Mumbai, Navi Mumbai, Vadodara, Hubbali, and Hyderabad (managed under TPPL), with a total carpet area of over 24 lakh square feet (lsf). IMPL is strategically important to the group, as it houses the entire mall leasing business, contributing significantly to the group's operations and cash flows.

Favourable location of assets
The company's portfolio includes five Inorbit Malls in Tier-I cities (Mumbai, Navi Mumbai and Hyderabad) and Tier-II cities (Vadodara and Hubbali). These assets are strategically located in well-connected micro-markets near city centers and major corporate parks, driving healthy footfalls. Key projects such as Malad (Mumbai), Vashi (Navi Mumbai), and Hitec City (Hyderabad, operated under TPPL), are in prime IT and ITeS hubs, maintaining strong occupancy levels. All retail assets have sustained an occupancy level of over 85% in the last two financial years (FY23 and FY24) and H1FY25, ensuring steady cash flow generation.

Diversified tenant profile with low counterparty risk
The group operates multiple Inorbit Malls in different locations of the country and has established strong relationships with corporate tenants over the years. It has retained several reputed tenants such as PVR Inox, Pantaloons, Vero Moda, and brands from Tata group such as Westside, Starbucks, Tanishq, Titan Eye Plus, and Reliance group brands such as Hamleys, Marks & Spencer, Reliance Smart Bazaar, Reliance Digital among others, at its malls nationwide. Top 15 clients contribute ~45%-55% of rental income in these assets, indicating diversified tenant profile. With strong credit profiles of clients, risk of receivables is largely mitigated.

Presence of structural features
Per the terms of loan agreement, entire cash inflows consisting of lease rentals from operational Inorbit Malls (on which LRD loans are availed), and other inflows (CAM receipts, income from revenue share and parking income among others) are required to be routed through designated escrow accounts. Lenders have first charge over respective escrow accounts, providing comfort in terms of control over lease income. The company is also required to create fund-based DSRA equivalent to three months of ensuing interest amount, which supplements the liquidity profile.

Key weaknesses

Execution and refinancing risk associated with under-construction project
The group is undertaking significant capital expenditure in TPPL and IMPL. TPPL is developing a retail mall with office space in Vizag, covering 11 lsf of leasable area, with a total project cost of over ₹1,100 crore, 88% of which is expected to be funded through debt. As of September 30, 2024, 33% of the project cost has been incurred, indicating an intermediate stage. Under IMPL, the group acquired an OC-ready asset in Hubbali (having leasable area of 5.5 lsf) for ₹400 crore, largely debt-funded, and plans to develop Phase II of its Vadodara mall (carpet area of 2.64 lsf) in future at an estimated cost of ₹260 crore, which will elevate execution risk in the group’s overall mall leasing vertical. The company secured partial financial closure of over ₹600 crore for Vizag project and entire financial closure for other projects, which mitigates execution risk to certain extent. Timely completion and leasing of under construction projects (Vizag project before FY28 and Vadodara- Ph II before FY29) shall remain crucial for efficient refinancing of CF loans by LRD loans.

Moderately leveraged financial risk profile
In FY24, the company generated rental income of ~₹341 crore and based on outstanding debt, debt to rental stood comfortable at close to 3.50x as at end of FY24, while total debt to profit before interest, lease, depreciation and tax (TD/PBILDT) stood at over 3.70x as on the end of FY24. The company’s debt level is expected to increase from ~₹1,219 crore as on end of FY24 to over ₹2,600 crore in medium term (until FY27), owing to drawdown of additional debt for new projects (greenfield project in Vizag and expansion project at Vadodara). The company’s debt to rental is accordingly expected to deteriorate to over 6x in the medium term and improve later to below 4x with commencement of rentals from new projects. Debt to rental on operational portfolio (considering rentals of operational Mumbai, Navi Mumbai, Vadodara and Hyderabad projects) is expected to remain moderate under 5x.

However, the company’s LTV stands comfortable at ~23%, based on external valuation and outstanding debt as on March 31, 2024. With moderate leverage indicators, generation of cashflows as envisaged remains crucial from the credit perspective.

Lease renewal risk
The company’s rental income is susceptible to volatility in occupancies and rental rates. IMPL has signed lease agreements with reputed domestic and international brands. In FY25 and FY26, the company is likely to witness contract expiry of over 35% of the total leased area, and thus, the company is exposed to lease renewal risk. Given the established brand image of malls and are strategic locations, most existing major tenants have continued to occupy their retail spaces post expiry of their initial lock-in period and have also completed multiple rounds of escalations. Lease rentals are likely to be influenced by consumer spending and macroeconomic conditions; hence, renewals and pricing will be monitorable.

Exposure to group companies
As on March 31, 2024, IMPL (at consolidated level) extended significant loans and advances in its group entities aggregating to over ₹900 crore, which are majorly payable on demand but with no fixed repayment obligation for principal repayment, whereas interest on loan is payable annually. IMPL's cash flows are adequate to meet its operating expenses and debt obligations. Due to significant capital expenditure plans, no major support to group companies is anticipated from business operations in the near term. However, future support from business operations that impacts the company's liquidity will remain a key rating monitorable.

Liquidity: Adequate
The company has free cash balance (including DSRA) of ~₹44 crore as on March 31, 2024. The company's net project inflows are expected to be adequate for serving debt commitments, reflected by average CCR of over 1.50x for the next five years, for operational portfolio. While cash flows from operations are adequate, CARE Ratings expects the group will extend adequate support in case of contingencies. It has extended substantial loans and advances to group companies, which can be called on demand.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
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

Incorporated in 1999, IMPL is part of the KRC group, promoted by Chandru Raheja and family. With over four decades of experience, the KRC group has an established track record in the real estate sector. IMPL owns and operates five shopping malls in Mumbai, Navi Mumbai, Vadodara, Hubbali and Hyderabad (through its wholly owned subsidiary TPPL), under the brand name 'Inorbit', while an additional mall is under-construction at Vizag, Andhra Pradesh and Vadodara mall is under expansion. TPPL is a wholly owned subsidiary of IMPL, which has one mall in Hyderabad in its portfolio and one mall in Vizag is under construction.

Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	321.23	333.49
PBILDT	186.37	205.83
PAT	110.94	139.49
Overall gearing (times)	1.41	0.37
Interest coverage (times)	2.35	4.92

A: Audited; Note: these are latest available financial results

Consolidated:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	470.96	498.70
PBILDT	294.61	323.56
PAT	194.09	224.68
Overall gearing (times)	1.55	1.01
Interest coverage (times)	2.27	2.73

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
Term Loan-Long Term	-	-	-	September, 2039	850.00	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	Term Loan-Long Term	LT	850.00	CARE A; Stable				

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	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Trion Properties Private Limited	Full	Subsidiary in same line of business, having common management, and significant operational and financial linkages.

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.

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About us:

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