Alliance Mall Developers Co. Private Limited

February 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	138.00 (Reduced from 154.70)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Alliance Mall Developers Co. Private Limited (AMDCPL) derives strength from being part of the established promoter group, 'Prozone', consistently high occupancy level of the mall, prime location of the mall, and comfortable debt coverage indicators. The rating positively factors healthy liquidity position, leading to pre-payment of rated debt and ring-fencing of the mall's rental through an escrow mechanism supported by creating a debt service reserve account (DSRA) and restriction on withdrawal of surplus from escrow account.

CARE Ratings Limited (CARE Ratings) also notes satisfactory sales progress in the residential segment and moderate committed receivable coverage ratio (percentage of committed receivable to cover balance project cost and outstanding debt), limiting company's debt exposure in the segment.

However, these rating strengths are offset by modest scale of operations and slow progress of residential project in Coimbatore, resulting in exceeding the Real Estate (Regulation and Development) Act (RERA)-approved timelines. The rating strengths are also offset by existing leases rollover risk of the retail mall and cyclicality in the real estate industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion of construction with sale of more than 70% of launched units in residential project.
- Improvement in lease rental discounting (LRD) debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) to less than 3x on a sustained basis.

Negative factors

- Significantly weakening liquidity due to declining occupancy level, lower collections or incremental debt on rental cashflows.
- Delaying residential project, buyers cancelling significant number of residential units, leading to materially deteriorating profile of the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that AMDCPL will sustain current occupancy levels of the mall in the near-to-medium-term aided by favourable location and strong consumption trends of the tenants.

Detailed description of key rating drivers:

Key strengths

Strong promoter with experienced management

AMDCPL is promoted by Prozone Realty Limited (PRL), Triangle Real Estate India Fund, and Pearlscope, Cyprus. PRL is a part of the 'Prozone' group, which is engaged in constructing and developing retail and residential-led mixed-use real estate. The Prozone

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

group in India was formed with strategic financial partnership with Intu Properties Plc, which is the UK's largest retail real estate developer. The group has 15.54 mn sq. ft. (msf) of fully paid-up land bank with 2.10 msf developed till date and over 13.44 msf being developed in different phases. Over the years, the group has attracted investments from major institutional investors, including the Triangle Fund (anchored by Old Mutual Group, South Africa) and the Lewis Trust Group, UK.

Reputed clientele with high occupancy level

Prozone mall has been operational since 2017 and has ~113 tenants at present and houses some well-renowned brands as anchor tenants including Pantaloons, H&M, Lifestyle, Spar Hyper, Reliance Trends, Westside, Hamleys, Reliance Digital, Inox, Zudio, Croma, M&S and others. The anchor shops occupy ~70% of the total leased out area as of December 2024. The mall continues to have a healthy occupancy of ~93% as on December 31, 2024 (92% as on September 30, 2023) owing to high quality and minimal competition in the region. Anchor tenants are major attraction points for visitors, and footfalls in the mall depend on brand value of its anchors and the value proposition offered by them.

Comfortable debt profile with satisfactory debt coverage indicators

The company's capital structure remains stable, with an overall gearing ratio of 1.48x as on March 31, 2024, improving from 1.62x the previous year due to LRD loan prepayment and higher net worth. Debt protection metrics also improved, supported by increased accruals and prepayments.

At current occupancy levels, rental income is projected at ~₹40 crore in FY25, up from ~₹36 crore in FY24. The LRD debt-to-rental ratio stood at ~4x as on March 31, 2024, and is expected to improve to ~3x by FY25. The loan-to-value (LTV) ratio was comfortable at ~32%, and the mall's average cash coverage ratio (CCR) for the next five years remains satisfactory at over 1.30x. Considering the residential segment, external debt-to-EBITDA stood at ~5x in FY24. However, going forward any additional debt availed by the company resulting in moderation in debt metrics will remain key monitorable.

Favourable location with potential for retail and residential market

Prozone mall is at Saravanampatti, Coimbatore, which is emerging as a major real estate activity zone with commercial IT/ITeS establishments. The market caters to all demand segments with residential developments across all typologies. Many developers are launching projects, anticipating IT/ITES to be a major demand driver. In the last few years, the market has witnessed township projects by reputed national and local developers. IT/ITeS development, consolidated physical infrastructure and growth in the manufacturing industry has led to higher disposable incomes, increased awareness, and a higher propensity to spend.

Presence of structured payment mechanism and DSRA for LRD

As per terms of LRD debt, entire cash inflows of the mall consisting of rentals must be routed through a designated escrow account. Well-defined waterfall mechanism ensures that debt servicing takes priority over other outflows, except statutory dues, demonstrating strong discipline. The ring-fencing mechanism restricting the withdrawal of surplus from escrow account ensures that cash fungibility does not occur between mall's rental and residential segment/group companies. Along with this, the company has created DSRA equivalent to three months principal and interest amount, which supplements the liquidity profile.

Key weaknesses

Delay in residential project and moderate coverage ratio

AMDCPL launched a residential project with two towers (Tower Splendour and Manhattan) with saleable area of ~3.79 lsf. Due to operational challenges, including those posed by COVID-19, the company has been applying for RERA extension for the completion of the towers. The company received the RERA extension for the third time till August 2025. As on December 31, 2024, the company has incurred 85% of the total project cost of these towers. Both the towers are expected to be completed by March 2025 and August 2025, respectively. As on December 31, 2024, the company has been able to sell ~69% of the saleable area as against ~55% as on December 31, 2023.

The company secured funding for the two towers from SWAMIH, with no obligation to pay monthly interest or principal payments. The SWAMIH funds, along with Internal Rate of Return (IRR), are to be repaid in a single bullet repayment. The debt from SWAMIH funds is not being rated by CARE Ratings. With the near completion of these two towers, the company will now begin construction of the third tower, Tower Florenza, which is expected to be completed by February 2027. The total cost for Tower Florenza is expected to be ~₹80 crore and the company is expected to maintain moderate debt and high reliance on customer advances for funding the future tower cost. This tower is being funded by SWAMIH with an increase in limit from ₹90 crore to ₹100 crore. The company has taken disbursement of only ₹30 crore for first two towers however, it does not expect further disbursement for tower Florenza. Timely completion of the towers within the envisaged cost and means of finance will be critical from the credit perspective.

The committed receivable from the sold units also stands moderate at 61% to cover its balance project cost and outstanding debt. As the committed receivable coverage ratio is moderate, there is relatively high reliance on fresh sales to fund the future project cost and meet the debt commitments. While the unsold inventory provides a healthy cover over the balance cost and debt outstanding, the timely liquidation of such inventory remains monitorable.

Revenue and geographical concentration risk
The company is exposed to geographical concentration risk inherent with single project portfolio. The company in its project portfolio has single retail mall and the entire leasable area is positioned at a single micro-market in Coimbatore. 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.

Modest scale of operations of mall and inherent lease renewal risk
The scale of operations remained modest as marked by total operating income (TOI) of ~₹58 crore for FY24 compared to ~₹52 crore for FY23. The modest scale of operations will continue to limit operating flexibility.
The company has entered long-term leases with tenants ranging from 3-15 years. The mall is exposed to lease renewal risk post expiry of lease tenure. In near term (until FY27), ~22% leased area will be due for renewal. Timely renewal of these leases or replacement through new tenants without rent loss will be critical from a credit perspective in case of any potential vacancy. However, with fit outs incurred by tenants and mall's favourable location, renewal risk is mitigated to a certain extent.

Liquidity: Adequate
As on December 31, 2024, the mall and residential segment hold free cash and cash equivalent of ~₹24 and ~₹5 crore respectively. The company has also maintained DSRA of ~₹7 crore (equivalent to three months of debt servicing) for LRD debt and ~₹11 crore for SWAMIH funds which provides added liquidity support.
AMDCPL has a repayment obligation (principal and interest) for LRD debt of ~₹29 crore in next 12 months against rent receipts of ~₹40 crore, with an average CCR for the next five years at over 1.30x.
Under the residential segment, committed receivables from sold inventory (~₹36 crore) covers 61% of the balance project cost and outstanding debt. This apart, the value of unsold units is over ₹55 crore. The company has taken disbursement of only ₹30 crore out of ₹100 crore sanctioned by SWAMIH fund and does not expect further disbursement for the upcoming tower. The loan is due for bullet repayment along with interest in December 2027 at an IRR of 12%. The cash flows from residential projects are expected to remain sufficient to service its debt obligations.

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]
[Rating methodology for Debt backed by lease rentals]
[Rating methodology for Real estate sector]

About the company and industry

Industry classification

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

Established in 2007, AMDCPL (CIN: U70101MH2007PTC173672) is a special purpose vehicle (SPV) floated by Prozone Realty Limited (PRL), the latter being a group entity of the 'Prozone' group, which is engaged in construction and development of retail and residential-led mixed-use real estate. AMDCPL has constructed a shopping mall known as 'Prozone Mall' in Coimbatore with leasable area of 5 lsf, which has been operational since July 2017. It is also undertaking development of a residential project in Coimbatore with saleable area of 6.45 lsf.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	52.18	57.94
PBILDT	35.22	40.12
PAT	6.96	6.97
Overall gearing (times)	1.62	1.48
Interest coverage (times)	1.71	1.90

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-Long Term		-	-	30-11-2031	138.00	CARE BBB; 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-Long Term	LT	138.00	CARE BBB; Stable	-	1)CARE BBB; Stable (07-Feb-24)	1)CARE BBB-; Stable (13-Mar-23) 2)CARE BBB-; Stable (06-Apr-22)	-

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-Long Term	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.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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