

## Empire Mall Private Limited

### March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	173.74	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Rating assigned to bank facilities of Empire Mall Private Limited (EMPL) derives strength from being part of the established promoter group, 'Prozone', high occupancy level of the mall, prime location of the mall, and comfortable debt coverage indicators. The rating positively factors healthy liquidity position 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.

However, these rating strengths are offset by significant loans and advances to others and group companies, modest scale of operations, existing leases rollover risk of the retail mall and cyclicalities in the real estate industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in occupancy level to over 95% of the Prozone Mall, Aurangabad.
- Sustained improvement in the debt coverage indicators with debt/ earnings before interest, taxation, depreciation, and amortisation (EBITDA) below 4x.

#### Negative factors

- Significant un-envisaged incremental debt on rental cashflows resulting in debt/EBITDA of 5x or above on a sustained basis.
- Decline in occupancy levels below 80% of the Prozone Mall, Aurangabad on a sustained basis.
- Significant additional loan advances given to others or related parties resulting in weakening of liquidity position of the company on a sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes EMPL 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

EMPL is promoted by Prozone Realty Limited (PRL), Triangle Real Estate India Fund, Nailsfield Limited, Mauritius (subsidiary of Intu Properties Plc, which is the UK's largest retail real estate developer) 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 group has developed 2.10 msf till date and over 13.44 msf being developed in different phases. Over the years, the Prozone 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.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Reputed clientele with high occupancy level

Prozone mall has been operational since 2010 and has ~115 tenants at present and houses some well-renowned brands as anchor tenants including Shopper's Stop, Pantaloons, H&M, Lifestyle, Smart Bazaar, Reliance Trends, Croma, Hamleys, Reliance Digital, Inox, Zudio, Hometown, M&S and others. The anchor shops occupy ~51% of the total leased out area as of December 2024. The mall continues to have a healthy occupancy of ~87% as on December 31, 2024, owing to 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, providing stable revenue stream.

### Satisfactory debt coverage indicators

At current occupancy levels, rental income is projected at ~₹38 crore in FY25, up from ~₹33 crore in FY24. The debt-to-rental ratio and debt-to-EBITDA ratio stood at ~5.6x as on March 31, 2024, and is expected to improve to ~4.5x by FY25. The loan-to-value (LTV) ratio was comfortable at ~37%, and the mall's average cash coverage ratio (CCR) for the next five years remains comfortable at over 1.50x.

### Favourable location with potential for retail and commercial market

Prozone mall is at Chikalthana MIDC, of Chhatrapati Sambhaji Nagar (Aurangabad), Chikalthana Industrial Estate, which is positioned along Jalna Road, enjoys convenient access to the city core, airport, and railway station. The industrial estate spans an approximate area of 719 hectares, with the land having been acquired by MIDC in 1965. The entire industrial estate is crisscrossed by internal roads, measuring either 20 meters or 30 meters in width.

The industrial estate benefits from uninterrupted power supply, courtesy of the presence of a 132 KV substation. This ensures a reliable power source for occupants of MIDC. Several prominent companies have established their manufacturing units in this area, including Wockhardt, Maharashtra Distilleries Limited, Lupin, Indo German Tool Room, Greeves, Cosmo Films, Hindustan Lever Limited, HMT, Dagerfost, and NRB.

### Presence of structured payment mechanism and DSRA for LRD

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 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 cash fungibility does not occur between mall's rental and residential segment/group companies. The company has created DSRA equivalent to three months principal and interest amount, which supplements the liquidity profile.

### Key weaknesses

#### Significant loans and advances to others and group companies

Till December 31, 2024, EMPL has advanced loans to others and group companies of over ₹185 crore (~77% of its net-worth). These loans are advanced for under construction projects in these entities. Thus, the adjusted tangible net worth stands at ~₹56 crore and adjusted overall gearing 3.06x. The management has informed that no loans will be advanced further and cashflows from mall will be sufficient to debt servicing of the loan. Going ahead the movement of these advances will be a key 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 Chhatrapati Sambhaji Nagar (Aurangabad). Adverse development or decline in demand in such micro-market may significantly impact the company's rentals and occupancy. The asset's prime location 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 and FY23. The modest scale of operations will continue to limit operating flexibility.

The company has entered medium-term leases with tenants ranging from 3-5 years, exposing the mall to lease renewal risk post expiry of lease tenure. In near term (until FY27), ~36% 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 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 February 28, 2025, the company has free cash and cash equivalents of ~₹49 crore. The company has also maintained DSRA of ~₹9 crore (equivalent to three months of debt servicing) which provides added liquidity support. EMPL has a repayment obligation (principal and interest) debt of ~₹24 crore in the next 12 months against receipts of ~₹64 crore, with an average CCR for the next five years at over 1.50x.

**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](#)

### About the company and industry

#### Industry classification

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

Established in 2006, EMPL (CIN: U52110MH2006PTC159594) 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. EMPL has constructed a shopping mall known as 'Prozone Mall' in Chhatrapati Sambhaji Nagar (Aurangabad) with leasable area of over 6 lsf, which has been operational since October 2010. It has also developed a commercial project on top of Prozone Mall known as Prozone Trade Centre (PTC) phase 1 with saleable area of 1.9 lsf, of which 94% has been sold.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	58.03	58.11	47.36
PBILDT	31.66	31.58	29.18
PAT	18.45	5.28	16.17
Overall gearing (times)	0.71	0.77	0.76
Interest coverage (times)	1.7	1.6	2.02

A: Audited; UA: Un 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	-	-	-	October 2038	173.74	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	173.74	CARE BBB+; 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	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.

## Contact us

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### About us:

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### Disclaimer:

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