# Elpro International Limited

April 04, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 377.64 (Reduced from 400.00) | CARE A-; Stable | Upgraded from CARE BBB+; Stable |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Revision in the rating assigned to bank facilities of Elpro International Limited (EIL) factors in improvement in occupancy level in retail mall and consequent positive impact on financial performance in the ensuing quarters and sustained near full occupancy in business park. The rating further notes the healthy investment portfolio of the company.

The rating continues to derive strength from established promoter group with presence across diverse business verticals, favourable location of properties, diversified tenant profile comprising reputed tenants/brands, comfortable capital structure and debt protection metrices and presence of escrow mechanism and debt service reserve account (DSRA).

However, the rating is constrained by risk of non-renewal of lease agreements and inherent risk associated with cyclical real estate industry.

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

**Positive factors**

- Improving total debt [excluding loan against shares (LAS)] to earnings before interest, tax, depreciation, and amortisation (EBITDA) to below 3.5x, on a sustained basis.
- Improvement in cash coverage ratio (CCR) above 1.50x on a sustained basis.

**Negative factors**

- Significant delay in receipt of lease rentals on continuous basis.
- Non-renewal of expiring lease contracts leading to moderation in occupancy (< 75%) and cash coverage indicators.
- Any further substantial support given to subsidiary/group companies resulting in moderation in liquidity profile/ debt protection metrices.

**Analytical approach:** Standalone

**Outlook:** Stable

Given healthy occupancy in both properties (business park and the retail mall) and reputed tenant/brands profile, it is expected that the company will maintain occupancy at current level with timely rent escalation as anticipated leading to steady financial risk profile and healthy investment profile to remain range in ensuing years.

## Detailed description of key rating drivers:

### Key strengths

**Improvement in occupancy level and reputed tenant/brands profile**

The company has two commercial properties namely One Elpro business park (business park) and Elpro City Square Mall (mall). The mall became operational in June 2019 spread across leasable area of 5.35 lakh sq. ft (including parking facility of over 700 vehicles). Of the above, the company has sold 1.66 lakh sq. ft. The company generally enters 'Leave & license' agreements for five years.

The occupancy of the mall improved from 85% as on December 31, 2023, to 90% as March 20, 2025. At present, monthly rental income (excluding CAM) stands at ₹4.43 crore against monthly debt obligation of ₹2.48 crore.
Recently, the company has re-leased ~37000 sq. ft. of mall space at higher monthly rental than prevailing average monthly rental after non-renewal of lease from existing tenants. The higher rate of monthly lease rental and higher occupancy level will lead to increase in rental income from FY26 onward.

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

Of the total leased area of 3.34 lsf (PY: 3.14 lsf) in the mall, ~20% area is leased out to top 10 tenants as on March 20, 2025. The tenant profile of the mall comprises reputed tenants such as PVR Inox, Shoppers Stop Limited, Max, Westside, and Bata among others.
The retail mall generally enters leave and license agreements with the lessees for a tenure of five years with a rent escalation clause of 15% after every third year.

Another commercial property, Business Park, comprises a leasable area of 5.62 lakh sq. ft. and has been operational for over two decades with almost full occupancy. One Elpro business park continued to remain almost fully occupied (99.47%), and at present, monthly rental income (excluding CAM) stands at ₹2.97 crore against repayment obligation of ₹1.31 crore.

The tenant profile of the business park includes clients such as Varroc Engineering Limited, Filt Red India Technologies Private Limited, Mahle Engineering Services Private Limited (part of Germany based MAHLE group), Hind Charity Trust (an education trust), managed by same promoter group, and Napino Auto & Electronics Limited, among others.

The contract stipulates rent escalation clause of 5% every year or 15% every third year.

**Healthy investment portfolio**
The company has healthy investment portfolio marked by investment having market value of ~₹2,216 crore as on December 31, 2024. Out of ₹2,216 crore, ₹1,218 crore is invested in listed equities, ₹642 crore in unlisted equities and ₹356 crore in AIF/ Liquid funds.
As on December 31, 2024, the company has availed LAS of ₹544 crore (sanction limit of ₹882 crore) from NBFCs. Although the security cover is 2x, it has already pledged listed & unlisted equities having market value of ~₹1,492 crore. Thus, if availed full limit, it will have to pledge ₹1,764 crore (already pledged ₹1,492 crore). The available free security will be ₹452 crore if peak limit is utilised.

However, the management has maintained that it will not avail LAS beyond ~₹625 crore in FY25. Considering this, the available security excluding already pledged will be ~₹700 crore.

**Established promoter group with presence across diverse business verticals**
EIL promoted by the Dabriwala family has been in the real estate development industry for over two decades. The first generation of the family-owned Raniganj coal mines till its nationalisation in 1960s. The second generation (Late R.K. Dabriwala) ventured into manufacturing industry with– EIL (which was primarily into manufacturing of power distribution equipment's like surge arrestors, and varistors, among others) and International Conveyors Limited (rated 'CARE BBB-; Stable/ CARE A3'), which is engaged in manufacturing conveyor belts for underground mining.
The third generation of the family, Surbhit Dabriwala, in the late 1990s divested the company's operational profile by entering real estate development industry and also entered a joint venture (JV) with MetLife for insurance business with ~30% stake, which was later diluted when PNB became a part of the JV over the years.

**Favourable location of properties**
The company owns 40 acres of land in the Pimpri-Chinchwad area (automotive hub) of Pune. In its first phase of development in 2007, the company completed its maiden project 'Elpro Vision Exchange'. Subsequently, the company completed another three projects 'Elpro Metropolis', 'Elpro Business Bay', and '1Elpro Park' collectively referred as One Elpro Park (OEP). It comprises industrial sheds and the state-of-the-art infrastructure catering mainly to automotive engineering companies for setting up their R&D facilities at this business park. In June 2019, the company commissioned its mall – 'Elpro City Square Mall', in the heart of the Pimpri Chinchwad Municipal Corporation (PCMC) spread across 8 lakh square feet with parking facility for over 4000 vehicles. The mall accommodates over 100 outlets of brands across different categories. The mall also houses eight reputed fine dining chains and a multiplex, an entertainment zone, and a first of its kind auditorium-in-a-mall with a seating capacity of over 650 people. The properties are well connected with the International Airport, Pune's business centres, and residential areas in the vicinity.

**Comfortable capital structure and debt protection metrices**
The capital structure of the company is comfortable marked by overall gearing of 0.24x as on March 31, 2024, against 0.10x as on March 31, 2023. The moderation in overall gearing was due to increase in LAS and lease rental discounting (LRD) debt against rental income.

The company has total outstanding debt (LRD debt) of ₹312.64 crore and LAS of ₹544 crore (sanctioned limit of ₹882 crore) as on December 31, 2024. Accordingly, the company has total outstanding debt of ₹856.64 crore against net worth of ₹1,557 crore in March 2024 and investment having market value of ₹2,216 crore as on December 31, 2024.

Average CCR is projected to remain satisfactory at 1.32x for FY25-FY27. Moreover, loan to value (LTV), debt (excluding LAS) to EBIDTA, and debt to rental (excluding CAM) for LRD debt (excluding LAS) continued to remain comfortable and stood at 43%, 5.54x and at 4.28x as of March 2025, respectively.

**Presence of escrow and DSRA despite some delay in receipts of lease rentals from tenants**

EIL raises monthly invoices for lease rentals in the first week of every month for both – mall and business park while debt obligations (incl. principal and interest) fall due by 15th of every month reducing the risk of mismatch in the cash flows from operations to a certain extent. The lease rental collection from its tenants is regular in case of mall while payments pertaining to OEP are being received with some delays in case of few of the tenants. Timely collection of lease rentals from business park tenants remains one of the key rating monitorable.

Per the term of sanction, EIL shall deposit the lease rental income and receipts of car parking charges, fit-out charges and common area maintenance, among others, in the escrow account which shall be first utilised towards payment for taxes and statutory payments, interest and principal repayment of LRD loan and then towards followed by payment of operational, administrative and maintenance expenses. EIL is required to maintain DSRA equivalent to ensuing three months principal and interest repayment. As on December 31, 2024, the o/s balance of DSRA stood at ₹6.68 crore for the retail mall and ₹4.00 crore for OEP.

## Key weaknesses

**Risk of non-renewal of expiring lease agreements**

EIL is exposed to lease termination risk as lessee has a right to terminate the lease after expiry of lock-in-period by giving prior notice period. EIL is also exposed to the risk of non-renewal of lease agreements as lock in period of most of lease agreements expired. As on March 20, 2025, the weighted average lease expiry (WALE) for top 10 tenants stood at four years five months and is shorter than the average maturity of LRD loan of 13 years and seven months for business park and WALE for top 10 tenants stood at 10 years and four months and is shorter than the average maturity of debt of 10 years and six months for mall. However, it is to be noted that most of the tenants have invested in the furnishing & maintenance of the premises which reduces the risk of non-renewal. The property is located at Pimpri-Chinchwad area (automotive hub) of Pune and has limited competition in retail mall segment in its vicinity of 5 to 7 km, hence, new tenant can be easily found mitigating non-renewal risk to certain extent. Recently, the company has re-leased ~37000 sq. ft. of mall space at higher monthly rental than prevailing average monthly rental after non-renewal of lease from existing tenants.

**Inherent risk associated with cyclical real estate industry**

The company is exposed to the cyclicality associated with the real estate sector, which has direct linkage with general macroeconomic scenario, interest rates and level of disposable income available with individuals. Rental collection remains susceptible to economic downturns, which may constrain the tenant's business risk profile, and therefore, limit occupancy and rental rates. The emergence of competing facilities in the vicinity could cannibalise tenants or rental rates. This could adversely impact cash flow, and hence, will be monitorable.

## **Liquidity**: Adequate

The liquidity position is adequate with projected net cash inflows expected to be sufficient to meet debt repayment obligations in in FY26. As on March 20, 2025, the average monthly rental income from the mall is ₹4.43 crore against repayment obligation of ₹2.48 crore, whereas the average monthly income from business park is ₹2.97 crore against repayment obligation of ₹1.31 crore. As on December 31, 2024, the o/s balance of DSRA stood at ₹6.68 crore for retail mall and ₹4.00 crore for business park (equivalent to three months' debt repayment obligations).

As on December 31, 2024, out of investment of ₹2,216 crore, ₹1,218 crore is invested in listed equities, ₹642 crore in unlisted equities and ₹356 crore in AIF/ Liquid funds. The company has availed LAS of ₹544 crore (sanction limit of ₹882 crore) from non-banking finance companies (NBFCs). Thus, if LAS is availed up to the full sanctioned limit with security cover of 2x, available free security will be ₹452 crore.

However, the management has articulated that it will not avail LAS beyond ~₹625 crore in FY25 and as such the available free investment will be ~₹700 crore (considering ₹1,492 crore already pledged).

## 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

| Macro economic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Consumer discretionary | Realty | Realty | Real estate related services |

EIL was incorporated in July 1962 as a public limited company, in technical and financial collaboration with General Electric, USA ("GE"). Headquartered in Pune, its operations included manufacturing and distributing power distribution equipment such as Surge Arresters and Disconnecting Switches (Isolators), with manufacturing set-up in Pimpri-Chinchwad area, near Pune. Over the past years, the company has divested its Isolator set-up in Hyderabad to Siemens Ltd and has scaled down its operations in Pune and has ventured into real estate development of the 40 acres of land in Pimpri-Chinchwad area owned by it, in phases. Currently, 99.47% of the total leasable area is leased out in business park and 90% of the total leasable area in mall.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|---|---|---|---|
| Total operating income | 98.94 | 112.18 | 82.87 |
| PBILDT | 34.96 | 44.10 | NA |
| PAT | 41.30 | 46.57 | NA |
| Overall gearing (times) | 0.10 | 0.24 | NA |
| Interest coverage (times) | 7.61 | 1.75 | NA |

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

**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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | - | - | - | 15-09-2035 | 135.07 | CARE A-; Stable |
| Fund-based - LT-Working Capital Limits | - | - | - | - | 242.57 | 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 | 135.07 | CARE A-; Stable | 1)CARE BBB+; Stable (02-Apr-24) | - | - | - |
| 2 | Fund-based - LT-Working Capital Limits | LT | 242.57 | CARE A-; Stable | 1)CARE BBB+; Stable (02-Apr-24) | - | - | - |

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Term Loan | Simple |
| 2 | Fund-based - LT-Working Capital Limits | 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 clarifications.

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