

Rating Advisory

June 22, 2022 | Mumbai

Serendipity Buildtech Private Limited

Update as on June 22, 2022

This rating advisory is provided in relation to the rating of Serendipity Buildtech Private Limited

The key rating sensitivity factors for the rating include:

Upward Factors

- Improvement in the DSCR to over 2.5 times, supported by substantially higher-than-anticipated cash flow
- Timely renewal of contracts or increase in lease rates

Downward Factors

- Drawdown of additional debt, leading to the DSCR dropping to below 1.4 times.
- Weakening of debt protection metrics on account of lower-than-expected cash flow driven by vacancy rates, lower lease rentals and stretch in receivables.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Serendipity Buildtech Private Limited (SBPL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If SBPL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

SBPL, incorporated in 2005, owns and operates the Big Shopping Centre in Thane, Maharashtra having area of 1.89 lakh sq ft. Mr Sanjiv Trehon manages the day to day operations.

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Rating Rationale

April 19, 2021 | Mumbai

Serendipity Buildtech Private Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.40 Crore (Enhanced from Rs.27 Crore)
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB+/Stable' rating on the long-term bank facilities of Serendipity Buildtech Private Limited (SBPL)

The rating reflects SBPL's moderate business risk profile backed by healthy occupancy rates with a reputed client base, advantageous location and moderate debt service coverage ratio (DSCR) coupled with escrow mechanism and adequate liquidity. These strengths are partially offset by exposure to risks related to timely renewal of lease contract, high lessee concentration risk and geographic concentration in revenue and vulnerability to risk related to pandemic led disruptions in near future.

CRISIL Ratings had assigned its 'CRISIL BBB+/Stable' rating to the bank facilities of SBPL on February 11, 2021.

Key Rating Drivers & Detailed Description

Strengths:

- Healthy occupancy with reputed client base**
 SBPL's Mall has a healthy occupancy rate of 87% as on December 31, 2020. Its tenants include reputed brands such as Big Bazaar, Shoppers Stop, Decathlon, McDonalds, Adidas, Reebok, Skechers, Jockey, Mr. D.I.Y. Puma, Bata and Croma. Most of the leave-and-license agreements with clients are of five years, with some for 25 years too. The agreement also permit an escalation in rental of 15% every 3 years ensuring stable flow of lease rentals.
- Advantageous location of the leased property**
 The Mall benefits from convenient access to shoppers, office-goers and students, because of its proximity to business parks, educational institutions and residential area, which in turn augurs well for the demand for retail property and the lease rates.
- Comfortable DSCR coupled with escrow mechanism and adequate liquidity:**
 The DSCR is likely to be greater than 1.5 times in the next three years as well as over the repayment tenure. Also, an escrow mechanism ensures priority of term loan repayment. Furthermore, unencumbered bank balance of Rs 25.18 crore as on March 31, 2020, which will be maintained going forward, cushions liquidity.

Weaknesses:

- Exposure to risk of renewal of lease agreements:**
 Some of the Agreements have a tenure of 3 to 5 years period leading to risk of higher vacancy period or lower rental rates on expiry of the agreements. It is also exposed to premature termination of leases in an economic-slowdown, which may affect cash flows. Hence, timely renewal of the upcoming lease agreements at current or higher rates or any further negotiation on rental by lessee will remain key monitorable.

- **High lessee and geographic concentration risk**

Lessee concentration risk is high with the top five tenants occupying 71% of the total leasable area. This also leads to higher risk on cash flows in case of delay in receiving rentals from the key customers. Moreover, SBPL derives its revenue from a single location, thereby being exposed to high asset concentration risk and competition from other malls operating in the vicinity.

- **Vulnerability to risk related to pandemic led disruptions:** SBPL's mall operations are susceptible to government directives to curb the spread of Covid-19 pandemic. During fiscal 2021 with nationwide lockdown due to Covid-19 pandemic, SBPL had to reduce lease rentals for a temporary period, apart from loss on variable income from revenue share. In April 2021, Maharashtra Government again announced temporary closure of malls on account of the increasing spread of the disease, which led to majority of the shops apart from essential service to be closed. This will impact revenues for the company and a prolonged closure may lead to further impact on the operations. Hence, it will continue to remain a key monitorable.

Liquidity: Adequate

Liquidity is adequate with expected average DSCR of 1.8 times throughout the tenure of the loan. SBPL has availed Covid-19 moratorium relief allowed by the Reserve Bank of India for the period June to August 2020. A debt service reserve of one month is maintained for its bank facilities. Further, rentals are deposited in an escrow account maintained with the bank and any surplus post debt-servicing can be used by the company at its discretion.

Outlook: Stable

CRISIL Ratings believes SBPL will maintain its stable DSCR over the medium term, backed by steady cash inflow.

Rating Sensitivity Factors:

Upward Factors

- Improvement in the DSCR to over 2.5 times, supported by substantially higher-than-anticipated cash flow
- Timely renewal of contracts or increase in lease rates

Downward Factors

- Drawdown of additional debt, leading to the DSCR dropping to below 1.4 times.
- Weakening of debt protection metrics on account of lower-than-expected cash flow driven by vacancy rates, lower lease rentals and stretch in receivables.

About the Company

SBPL, incorporated in 2005, owns and operates the Big Shopping Centre in Thane, Maharashtra having area of 1.89 lakh sq ft. Mr Sanjiv Trehon manages the day to day operations.

Key Financial Indicators

As on/for the period ended March 31	Unit	2020	2019
Operating income	Rs.Crore	21.67	18.62
Reported profit after tax (PAT)	Rs.Crore	7.34	4.17
PAT margin	%	33.9	22.4
Adjusted debt/adjusted network	Times	0.98	1.42
Interest coverage	Times	4.37	3.36

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Term Loan	NA	NA	Dec-2029	40	NA	CRISIL BBB+/Stable

Annexure - Rating History for last 3 Years

		Current		2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

		Amount										
Fund Based Facilities	LT	40.0	CRISIL BBB+/Stable	11-02-21	CRISIL BBB+/Stable		--		--		--	Withdrawn

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Term Loan	40	CRISIL BBB+/Stable	Loan Against Property	27	CRISIL BBB+/Stable
Total	40	-	Total	27	-

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs criteria for rating debt backed by lease rentals of commercial real estate properties
Rating Criteria for Construction Industry
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