



Press Release

Chalice Real Estate LLP

October 12, 2020

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long term Bank Facilities	115.00	IVR BB; Stable (Double B with Stable outlook)	Assigned
2.	Short term Bank Facilities	0.40	IVR A4 (A Four)	Assigned
	Total	115.40 (Rs. One hundred fifteen crore and forty lakhs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Chalice Real Estate LLP (CREL) derives comfort from its experienced and resourceful promoters with proven project execution track record, financial support from the promoter and its other group companies, agreements with reputed anchor tenants and favourable location of the property. These rating strengths are however, remain constrained by project execution risk and susceptibility to vacancy risk and bargain for low rentals by tenants.

Rating Sensitivities

Upward factors

- Timely completion of the projects
- Lease of inventory at competitive rates as envisaged

Downward Factors

- Significant delay in completion of project.
- Significant cost overrun of the project.
- Lower than expected booking status in terms of area and lease rent

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced and resourceful promoter with proven project execution track record

CREL's day to day operations are managed by Mr. B.K. Agarwala. Mr. Agarwala is the founder promoter of the Beekay Group having varied interest in real estate, packaging and



Press Release

hospitality and an experience of close to 25 years in the real estate sector. The promoter is quite resourceful, well connected and has sizeable amount of land bank under his personal and business umbrella in Jharkhand. In addition to the upcoming mall, the promoter is also operating multiplex cum shopping mall named as “Nucleus Mall” at Circular Road, Ranchi, from February, 2017 having an area of 3.50 lac sq.ft. managed through Adarsh Heights Pvt Ltd (AHPL). The partners are well supported by a group of experienced professionals.

Financial support from the promoter and group companies

The financial support provided by Mr. Agarwal through his various businesses and investment through AHPL being the primary investor renders comfort of promoter’s support for funding the process. Further, the bank facilities of CREL is backed by a corporate guarantee from AHPL.

Reputed Anchor tenants with minimum lease period of 9 years and lock in period of 3 years

The firm has entered to formal agreements with brands such as Inox Leisure (multi-plex), Shoppers Stop, Pantaloons (Aditya Birla Fashion Retail Ltd), Skechers, Super 99, Indian Terrain. The lease tenures with these brands range between 9 years to 21 years and a lock-in period of 1 to 5 years, where the majority tenants have a lock in period of 3 years.

Favourable Location of the property along with residential developments

The proposed shopping mall will be located at Gymkhana Road, Ranchi at the heart of the city and is surrounded by affluent residential colonies. It’s the first ever project in the vicinity and is expected to draw huge customers. The site is around 7 Kms from Ranchi Railway station and 13 kms from the airport. For intra-city transportation, Ranchi has Auto-Rickshaws in abundance along with city buses. Ranchi is the commercial capital of Jharkhand. The close proximity of railway station and airport will also help in attracting a lot of business travellers.



Press Release

Key Rating Weaknesses

Project Execution Risk

Construction of the project is in progress and only ~37% of the project is completed till September 30, 2020. Though the project has received all necessary regulatory clearances, given that ~63% of the total cost is yet to be incurred, project execution risks relating to cost and time overrun remain high for the firm. Further, ability of the firm to mitigate the marketing and stabilisation risks remains to be seen in view of potential change in the consumer behaviour due to COVID -19 pandemic.

Susceptibility to vacancy risk and bargain for low rent by tenants

Given the current situation, in case the firm does not manage to on board more tenants or some tenants may also bargain for lower rent when signing under current circumstances, then the firm may face challenge in servicing its debt obligation due to lack of adequate revenue.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

CREL is expected to maintain adequate liquidity of inflow with the support of the promoters and group companies. Further, the firm is likely to benefit from the resourcefulness of the promoter group.

About the Firm

Chalice Real Estate LLP (CREL) is a limited liability partnership firm established in 2015 to develop a Multiplex Cum Shopping Mall and residential project known as Nucleus City in Ranchi. The firm is part of the Beekay Group” having varied business interest in industries like real estate, packaging and hospitality etc. The total project cost of the mall is estimated at Rs.195 crore of which Rs.115 crore would be financed from term loan and balance from promoter’s contribution. The project is currently under construction stage and ~Rs.71 crore has been expended (Promoter contribution: ~Rs.45 crore; Term Loan: ~22 crore and ~Rs.4



Press Release

crore from security deposits and creditors). The residential project cost is envisaged at Rs.100 crore which will be funded from customer advance and promoters contribution with no bank borrowings. Till date ~35 % of the project is completed. The mall is expected to become operational from April 2022.

Financials (Standalone):

Not Applicable. Since the project is in the construction phase and the revenue inflow is expected to start from FY23 onwards.

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loan	Long Term	115.00	IVR BB/ Stable	-	-	-
2	Bank Guarantee	Short-term	0.40	IVR A4	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Chandrakant Bagri Tel: (033) 46022266 Email: chandrakant.bagri@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



Press Release

widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Mar 2024/ Dec2024	115.00	IVR BB/ Stable
Short Term Non Fund Based Limits – Bank Guarantee	-	-	-	0.40	IVR A4