

January 02, 2024

Alyssum Developers Private Limited: Rating upgraded to [ICRA]A (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	400.0	400.0	[ICRA]A (Stable); rating upgraded from [ICRA]A- (Stable)
Total	400.0	400.0	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade for Alyssum Developers Private Limited (ADPL) factors in the completion of the mall with date of commercial commencement of operations (DCCO) in September 2023 (well ahead of scheduled DCCO of March 2025), along with healthy leasing of 92% as of September 2023 (86% of pre-leasing as of September 2022). The rentals for the mall have commenced from October 2023 in a phased manner. The ramp-up in footfalls and trading values remains to be seen for the mall operations. Backed by healthy leasing and low debt levels, the leverage as reflected by Debt/NOI is expected to remain strong below 2.0 times in the medium term. Consequently, the debt coverage metrics are likely to remain comfortable during the projected period.

The rating favourably factors in the strong sponsor profile. ADPL is a subsidiary of Island Star Mall Developers Private Limited, which is a 51:49 joint venture (JV) of Phoenix Mills Limited (PML) and Canada Pension Plan Investment Board (CPPIB). Phoenix Mills Group is one of the largest retail mall companies encompassing ~11 million square feet (msf) of operational area (with an additional 2.85 msf of under-construction retail space and 5.0 msf of office spaces), with strong brand strength and operational track record of over three decades. The promoter groups such as PML and CPPIB have a demonstrated track record in real estate development, which lends strong financial flexibility to ADPL. ICRA expects ISMDPL to extend extraordinary support to ADPL, given the strategic importance and the sponsor's reputation sensitivity to default. The rating notes the attractive location of the mall, with good connectivity to key city areas. It has an attractive catchment area due to the presence of many residential and commercial developments, which are likely to support healthy footfalls.

The rating, is however, constrained by the exposure to execution and market risks for the office space being developed by ADPL in Phoenix Millenium. The office project is in moderate stages of execution as only 38% of the total cost has been incurred as of September 2023 exposing it to execution risk. Also, with nil pre-leasing in the office project, it is exposed to market risk. However, comfort can be drawn from the track record of timely execution of projects by the Phoenix Group and no additional debt is expected to be taken for office project, thereby mitigating the execution risk to an extent. The company is exposed to geographical and asset concentration risks, which are inherent in companies with single projects. In addition, ADPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles.

The outlook on the rating is Stable, supported by healthy occupancy levels, comfortable debt protection metrics and strong sponsor profile.

Key rating drivers and their description

Credit strengths

Commencement of mall operations with healthy leasing levels; comfortable debt protection metrics - The DCCO for the mall was in September 2023 (well ahead of the scheduled DCCO of March 2025), along with healthy leasing of 92% as of September 2023 (86% of pre-leasing as of September 2022). The rentals for the mall commenced from October 2023 in a phased manner. The mall has signed long-term lease agreements with reputed tenants viz Inox, Lifestyle, Shoppers stop, H&M, etc, with top 10 tenants occupying 31% of chargeable area. The ramp-up in footfalls and trading values remains to be seen for the mall operations. Backed by healthy leasing and low debt levels, the leverage as reflected by Debt/NOI is expected to remain strong below 2.0 times in the medium term. Consequently, the debt coverage metrics are likely to remain comfortable during the projected period.

Location-specific advantage and good connectivity - The mall has an operational retail leasable area of ~1.2 msf and under-construction office space of 1.4 msf. The location of the asset has good connectivity to key city areas and has an attractive catchment area due to the presence of many residential and commercial developments, which are likely to support healthy footfalls.

Strong sponsor profile - ADPL is a subsidiary of ISMDPL, which is a 51:49 JV of PML and CPPIB. The Phoenix Mills Group is one of the largest retail mall companies encompassing ~11 msf of operational area (with an additional 2.85 msf of under-construction retail space and 5.0 msf of office spaces) with strong brand strength and operational track record of over three decades. The promoter groups such as PML and CPPIB have a demonstrated track record in real estate development, which lends strong financial flexibility to ADPL. ICRA expects ISMDPL to extend extraordinary support to ADPL, given the strategic importance and the sponsor's reputation sensitivity to default.

Credit challenges

Exposure to execution and market risks for office expansion - The office project is in nascent stages of execution as only 38% of the total cost has been incurred as of September 2023 exposing it to execution risk. Also, with nil pre-leasing in the office project, it faces market risk. However, comfort can be drawn from the track record of timely execution of projects by the Phoenix Group and no additional debt is expected to be taken for the office project, thereby mitigating the execution risk to an extent.

Geographical and asset concentration risks; vulnerability to external factors - As ADPL is a single project special purpose vehicle (SPV), it is exposed to geographical and asset concentration risks, which are inherent in companies with single projects. In addition, ADPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles.

Liquidity position: Adequate

The company's liquidity position is adequate. With healthy leasing levels, its cash flows are expected to remain healthy. The debt repayment obligations can be comfortably met from cash flow from operations of the mall in FY2024 and FY2025. The construction of the office project is currently underway at a total cost of Rs. 400 crore and is expected to be funded by the internal accruals of the mall and undrawn limits from the existing lease rental discounting (LRD) debt.

Rating sensitivities

Positive factors - ICRA could upgrade the rating if there is healthy ramp-up in leasing of office portfolio while sustaining high occupancy of retail malls resulting in improvement in debt protection metrics and liquidity position on a sustained basis. Further improvement in the credit profile of parent entity, ISMDPL, could lead to a positive rating action.

Negative factors - Negative pressure on the rating could emerge if there is material decline in occupancy or rent rates in the mall project or significant increase in indebtedness resulting in weakening of debt protection metrics on a sustained basis. Specific credit metric that could lead to a rating downgrade is Total debt/NOI greater than 6.0 times on a sustained basis. Any weakening of the credit profile of parent entity, ISMDPL, could also lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for debt backed by Lease Rentals
Parent/Group support	Parent company: Island Star Mall Developers Private Limited The rating factors in the expected financial support from ISMDPL to ADPL to protect its reputation from the consequence of a subsidiary's distress
Consolidation/Standalone	Standalone

About the company

Alyssum Developers Pvt Ltd is a subsidiary of Island Star Mall Developers Private Limited, which is a 51:49 subsidiary of Phoenix Mills Limited and Canada Pension Plan Investment Board. The company is developing a retail mall in Pune, Phoenix Millenium, at a gross leasable area of 1.2 msf of retail space and 1.4 msf of the office space. Further, the retail space of the Phoenix Millenium got operationalised from September 2023 and the office project is in under-construction stage. At a total project cost of Rs. 400 crore, the office project is expected to commence in Q2 FY2025.

Key financial indicators (audited)

Not applicable as the mall got operational only in September 2023

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 02, 2024	Nov 17, 2022	-
1	Term loans	400.0	1.5	[ICRA]A (Stable)	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's

credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2022	NA	FY2034	400.0	[ICRA]A (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 4547 4829

anupama.reddy@icraindia.com

Abhishek Lahoti

+91 40 4547 4829

abhishek.lahoti@icraindia.com

Vishal R

+91 80 4332 6419

vishal.r@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



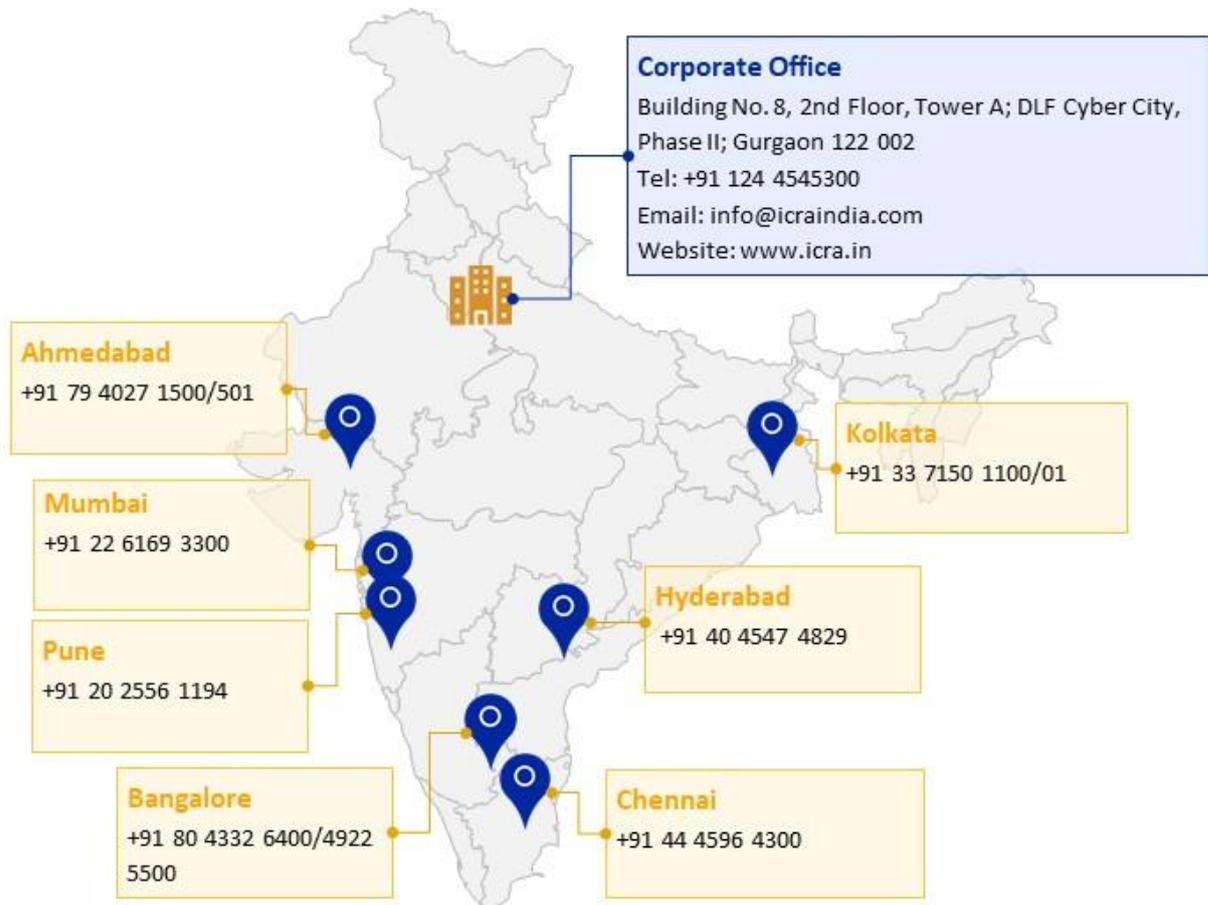
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.