June 25, 2024

Insight Mall Developers Private Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	350.00	[ICRA]A (Stable); assigned
Total	**350.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating for Insight Mall Developers Private Limited (IMDPL) favourably factors in the healthy occupancy of Phoenix Citadel Mall in Indore, which stood at 95% as of March 2024, as well as the company's low leverage and comfortable debt coverage metrics. Rentals for the mall commenced from December 2022 in a phased manner. The increase in footfalls and trading values remains to be seen. Supported by healthy leasing levels and low debt, leverage as reflected by debt/NOI is expected to remain strong below 3.5 times in the medium term. Consequently, the debt coverage metrics are likely to be comfortable during the projected period.

The rating notes the favourable location of the mall at, MR 10 Junction in Indore. The location is close to key commercial and residential areas and, supported by good road infrastructure, which is likely to augment healthy footfalls. The rating also favourably factors in the strong sponsor profile. IMDPL is a subsidiary of Island Star Mall Developers Private Limited (ISMDPL, rated [ICRA]A+ (Stable)), a 51:49 joint venture (JV) of The Phoenix Mills Limited (PML) and Canada Pension Plan Investment Board (CPPIB). PML Group is one of the leading retail-led mixed-use developers in India encompassing ~11 million square feet (msf) of operational retail Gross Leasable Area (GLA) (with an additional ~3 msf of under-construction retail space and ~5.0 msf of under construction office space), with strong brand strength and operational track record of over three decades. The promoter groups such as PML and CPPIB, with a demonstrated track record in real estate development lend strong financial flexibility to IMDPL. ICRA expects ISMDPL to extend support to IMDPL, given its strategic importance and to protects its reputation from the consequence of a subsidiary's distress.

The rating is, however, exposed to geographical and asset concentration risks, which are inherent in companies with a single project. IMDPL's revenues are also exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles. The debt coverage metrics would remain vulnerable to material changes in occupancy and interest rates.
The Stable outlook reflects ICRA's expectation that IMDPL will be able to sustain healthy occupancy levels and maintain comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Healthy leasing levels and comfortable debt protection metrics – Commencing in December 2022, the mall has achieved a healthy occupancy level of 95% as of March 2024. The rentals began in a phased manner from December 2022 in a phased manner. The ramp-up in footfalls and trading values remains to be seen for the mall operations. Supported by healthy leasing levels and low debt levels, leverage, as reflected by debt/NOI is expected to remain strong below 3.5 times in the medium term. Consequently, the debt coverage metrics are likely to be comfortable during the projected period.

Location-specific advantage and good connectivity – The mall has an operational retail leasable area of ~1.0 msf. The mall is in MR 10 Junction in Indore and in proximity to key commercial and residential areas, supported by good road infrastructure, which is likely to support healthy footfalls.

Strong sponsor profile – IMDPL is a subsidiary of ISMDPL, a 51:49 JV of PML and CPPIB. The PML Group is one of the the leading retail-led mixed-use developers in India encompassing ~11 msf of operational retail area (with an additional ~3 msf of under-construction retail space and ~5.0 msf of under construction office space) with strong brand strength and operational track record of over three decades. The promoter groups such as PML and CPPIB with a demonstrated track record in real estate development lends strong financial flexibility to IMDPL. ICRA expects ISMDPL to extend support to IMDPL, given its strategic importance and to protects its reputation from the consequence of a subsidiary's distress.

Credit challenges

Geographical and asset concentration risk – As IMDPL 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.

Vulnerability to external factors and material changes in occupancy and interest rates – IMDPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles. The debt coverage metrics would remain vulnerable to material changes in occupancy and interest rates.

Liquidity position: Strong

The company's liquidity position is strong. With healthy leasing levels and limited capex plans, its cash flows from operations are expected to remain healthy. The debt repayment obligations for FY2025 and FY2026 can be comfortably met from the cash flow of the mall's operations. Additionally, the company has free cash and liquid investments of Rs. 17.6 crore and undrawn OD limits of Rs. 50 crore as of March 2024. Of the total sanctioned debt of Rs. 350 crore, the company has drawdown around Rs. 103.5 crore of term loan as of March 31, 2024.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is significant improvement in earnings while sustaining high occupancy of retail mall, resulting in improvement in debt protection metrics and liquidity position on a sustained basis. Further, improvement in the credit profile of the parent entity, ISMDPL could also lead to a positive rating action.

Negative factors – Pressure on the ratings could be exerted with a material decline in occupancy or rent rates or a significant increase in indebtedness resulting in the weakening of debt protection metrics on a sustained basis. Specific credit metric that could lead to a downgrade is Total debt/NOI greater than 6.0 times on a sustained basis. Any weakening of the credit profile of the parent entity, ISMDPL, could also lead to a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Parent company: Island Star Mall Developers Private Limited The rating factors in the expected financial support from ISMDPL to IMDPL to protect its reputation from the consequence of a subsidiary's distress.
Consolidation/Standalone	Standalone

About the company

Insight Mall Developers Private Limited is a subsidiary of Island Star Mall Developers Private Limited, a 51:49 subsidiary of Phoenix Mills Limited. The company has developed a retail mall in Indore, Madhya Pradesh, known as Phoenix Citadel with a gross leasable area of 1.0 msf. The mall started operations in December 2022.

Key financial indicators

IMDPL	FY2023	FY2024
	Audited	Provisional
Operating income	41.6	141.4
PAT	- 2.3	36.5
OPBDIT/OI	25.2%	53.4%
PAT/OI	-5.5%	25.8%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	9.5	1.4
Interest coverage (times)	2.3	5.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of March 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					June 25, 2024	-	-	-
1	**Term loans**	Long term	350.00	103.1	[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**	FY2024	-	FY2034	350.0	[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

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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.

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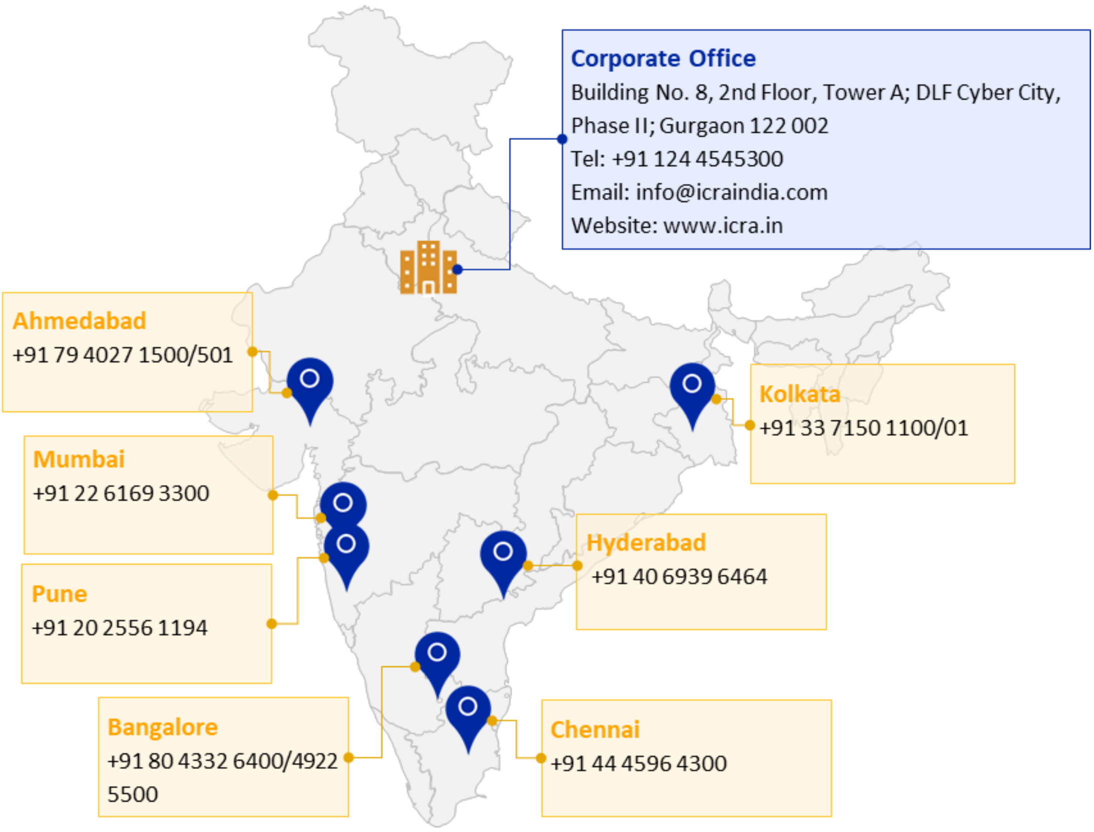

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