April 09, 2025

Island Star Mall Developers Private Limited: Rating upgraded to [ICRA]AA- (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	245.00	245.00	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
Total	**245.00**	**245.00**	

**Instrument details are provided in Annexure I*

Rationale

For arriving at the rating of Island Star Mall Developers Private Limited (ISMDPL) a 51:49 joint venture (JV) of The Phoenix Mills Limited (PML) and Canada Pension Plan Investment Board (CPPIB), ICRA has factored in the business and financial risk profiles of ISMDPL, along with its wholly-owned subsidiaries (Sparkle One Mall Developers Private Limited (SOMDPL), Alyssum Developers Private Limited (ADPL), and Insight Mall Developers Private Limited (IMDPL)) as they are in the same line of business with a common management and treasury team[1]. On a consolidated basis, ISMDPL has a total of four assets with a gross leasable area (retail and office) of ~7.7 million square feet (msf). Of this, 65%, i.e., approx. 5.1 msf is operational (out of which 4.35 msf is retail and ~0.8 msf is office) and the remaining ~2.6 msf (0.1 msf retail and 2.5 msf office) is under-construction as of March 2025.

The rating upgrade for ISMDPL factors in the healthy leasing levels across malls and ramp-up in the overall trading occupancy, along with low leverage and strong debt coverage metrics over the medium term. The rating action favourably factors in the expected improvement in ISMDPL's operational portfolio to 85% of the total leasable area by March 2026 from 56% as of March 2024, post completion of the office assets - Millennium Towers (integrated with Phoenix Mall of the Millenium (Pune) and Phoenix Asia Towers (integrated with Phoenix Asia Towers Bangalore). The leasing across its four malls, Phoenix Mall of Asia (Bengaluru), Phoenix Mall of the Millenium (Pune), Phoenix Citadel (Indore) and Phoenix Market City (Bengaluru) is greater than 90% as of December 2024, and the trading occupancy level across retail assets is expected to improve further in the near term. Backed by healthy occupancy and low debt levels, the leverage at the consolidated level as reflected by Total External Debt/Net Operating Income (NOI) is low and is projected to remain below 5.0 times in the medium term. Moreover, given low leverage and healthy cash flow from operations, its coverage metrics remain strong. The rating favourably factors in the reputed sponsor profile, which lends exceptional financial flexibility to ISMDPL. The PML Group is India's leading owner, operator and developer of retail-led mixed-use destinations with its developments spread across retail, hospitality, commercial offices, and residential asset classes, with strong brand strength and operational track record of over three decades.

ISMDPL's credit profile remains exposed to adverse macroeconomic and force majeure events, which could impact the tenant's business risk profiles and occupancy levels. Notwithstanding the increase in proportion of operational assets at the consolidated level, the company has around 2.6 msf of under-construction assets (primarily office portfolio of around 2.5 msf), which are at various stages of development, exposing it to moderate execution risk. The office portfolio is also exposed to high market risk, given the minimal leasing in the recently completed and under-construction office projects. ISMDPL has funded office projects from internal accruals and undrawn LRD Loans taken against the retail malls. Consequently, slower-than-

[1] *During the last rating exercise, in addition to the subsidiaries of ISMDPL, ICRA also consolidated two other assets (Plutocrat Commercial Real Estate Private Limited (PCREPL) and Mindstone Mall Developers Private Limited (MMDPL)), which are held directly under PML-CPPIB platform. However, ICRA is given to understand on the change in the support philosophy, and hence during the current rating exercise, ICRA has consolidated ISMDPL and its wholly-owned subsidiaries.*

expected ramp-up in office leasing is unlikely to have a material impact on the overall coverage metrics. Nonetheless, ICRA expects the occupancy in office portfolio to improve gradually over the next 2-3 years.

The outlook on the rating is Stable, supported by the healthy occupancy of operational assets and strong debt protection metrics.

Key rating drivers and their description

Credit strengths

Healthy leasing and trading occupancy across the malls – The leasing across its four malls is greater than 90% as of December 2024 and there is a healthy ramp-up in trading occupancy for two new malls namely Phoenix Mall of Asia (Bengaluru) to 75% in 9M FY2025 from 49% in 9M FY2024 and Phoenix Mall of the Millenium (Pune) to 87% in 9M FY2025 from 57% in 9M FY2024, supported by ramp-up in footfalls and trading values, which is estimated to further ramp-up in the medium term. Further, the healthy trading occupancy levels sustained for Phoenix Market City (Bengaluru) at 97% for 9M FY2025 (97% for 9M FY2024) and Phoenix Citadel (Indore) at 92% for 9M FY2025 (87% for 9M FY2024). ISMDPL's operational portfolio has improved to 65% of the total leasable area as of March 2025 from 56% as of March 2024 and is expected to further increase to 85% by March 2026 with the completion of office assets - Millennium Towers (integrated with Phoenix Mall of the Millenium (Pune) and Phoenix Asia Towers (integrated with Phoenix Asia Towers Bangalore).

Strong financial risk profile – Backed by healthy occupancy and low debt levels, the leverage at the consolidated level as reflected by Total External Debt/NOI is low and is expected to remain below 5.0 times in the medium term. Moreover, given the low leverage and healthy cash flow from operations, its coverage metrics remain strong.

Strong sponsor profile – The reputed sponsor profile lends exceptional financial flexibility to ISMDPL. ISMDPL is a 51:49 JV of PML and CCPIB. The PML Group is India's leading owner, operator and developer of retail-led mixed-use destinations with its developments spread across retail, hospitality, commercial offices, and residential asset classes, with strong brand strength and operational track record of over three decades. PML and its subsidiaries have an operational retail portfolio of ~11.5 million sq. ft. of retail space across 8 major cities of India and approx. 5 million sq. ft. of retail space under development. The PML Group's mixed-use destinations also include Grade A offices with an operational office portfolio of ~3 million sq. ft. (including Phoenix Asia Towers in Bangalore) and ~4 million sq. ft., in the pipeline across Mumbai, Bangalore, Pune and Chennai to be delivered by 2027. PML Group has delivered 3 iconic residential projects across the country and currently has one project under development in Kolkata. PML Group also owns and operates two hotels – The St. Regis, Mumbai and Courtyard by Marriot, Agra and currently has a Grand Hyatt hotel under planning at Whitefield Bengaluru.

Credit challenges

Exposure to moderate execution and high market risks for recently completed and under-construction assets – Notwithstanding the increase in proportion of operational assets at the consolidated level, the company has around 2.6 msf of under-construction assets (primarily office portfolio of 2.5 msf), which are at various stages of development, exposing it to moderate execution risk. The office portfolio is exposed to high market risk, given the minimal leasing in the recently completed and under-construction office projects. ISMDPL has funded office projects from internal accruals and undrawn LRD loans taken against the retail malls. Consequently, slower-than-expected ramp-up in office leasing is unlikely to have a material impact on overall coverage metrics. Nonetheless, ICRA expects the occupancy in office portfolio to improve gradually over the next 2-3 years.

Vulnerability to external factors – ISMDPL's credit profile remains exposed to adverse macroeconomic and force majeure events, which could impact the tenant's business risk profiles and occupancy levels.

Liquidity position: Strong

The company's liquidity position is strong with unencumbered cash balances of around Rs. 226 crore, on a standalone basis, and Rs. 283 crore at the consolidated level as on December 31, 2024. The debt repayment obligations can be comfortably met from the estimated cash flow from operations in FY2026 and FY2027. The pending capex cost for the ongoing expansion is expected to be funded through internal accruals and undrawn LRD Loans taken against retail malls.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is significant 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.

Negative factors – Negative pressure on the ratings could emerge if there is a material decline in occupancy or rent rates in malls 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 5.0 times on a prolonged basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating of Island Star Mall Developers Private Limited (ISMDPL), ICRA has consolidated the business and financial risk profiles of ISMDPL, along with its wholly owned subsidiaries as they are in the same line of business with common management and treasury team. Please refer Annexure II for the list of entities considered for consolidated analysis.

About the company

ISMDPL is a 51:49 subsidiary of PML and CPPIB. It owns and operates Phoenix Market City Mall in Whitefield, Bengaluru, which has a total leasable area of ~1.0 msf and has been operational since 2010 with a healthy occupancy of 97% as of December 2024. The company is undertaking capex in PMC Bengaluru, which includes extension of the mall and addition of commercial office space and a hotel. ISMDPL has opened 3 retail malls namely Phoenix Citadel, Indore, Phoenix Mall of the Millenium, Pune and Phoenix Mall of Asia, Bangalore in its subsidiaries, Insight Mall Developers Private Limited, Alyssum Developers Private Limited and Sparkle One Mall Developers Private Limited, respectively, which commenced in December 2022, September 2023 and October 2023. Further, all three assets have healthy leasing occupancy levels of 93%, 91% and 91% respectively as of December 2024. Further, ISMDPL has recently completed an office space of ~0.8 msf under Sparkle One Mall Developers Private Limited, in Hebbal, Bangalore and has another office space of 1.4 msf under Alyssum Developers Private Limited nearing completion, in Wakad, Pune.

Key financial indicators (audited)

ISMDPL Consolidated	FY2023	FY2024
Operating income	261.3	278.1
PAT	120.4	136.9
OPBDIT/OI	69.1%	72.3%
PAT/OI	46.1%	49.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	2.2	1.9
Interest coverage (times)	4.1	5.0

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

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs. crore)**	**Apr 09, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long-term - Term loan - Fund-based	Long Term	245.00	[ICRA]AA- (Stable)	-	-	02-JAN-2024	[ICRA]A+ (Stable)	17-NOV-2022	[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 loans**	FY2023	NA	FY2032	245.00	[ICRA]AA- (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

Company Name	ISMDPL Ownership	Consolidation Approach
Island Star Mall Developers Private Limited	Rated entity	Full Consolidation
Sparkle One Mall Developers Private Limited	100.00%	Full Consolidation
Alyssum Developers Private Limited	100.00%	Full Consolidation
Insight Mall Developers Private Limited	100.00%	Full Consolidation

Source: ISMDPL, ICRA Research

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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.

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