April 09, 2025

Sparkle One Mall 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	400.00	400.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)
Total	**400.00**	**400.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade for Sparkle One Mall Developers Private Limited (SOMDPL) factors in the healthy committed leasing of Phoenix Mall of Asia with leasable area of 1.2 million square feet (msf) at 91% as of December 2024 and improvement in average trading occupancy for the mall operations to 75% in 9M FY2025 from 49% in 9M FY2024, supported by ramp-up in footfalls and trading values, which is expected to sustain in the medium term. Backed by healthy leasing and low debt levels, the leverage as reflected by Total External Debt/net operating income (NOI) is projected to remain low below 5.0 times in the medium term. Moreover, given the low leverage and healthy cash flow from operations, its coverage metrics remain strong. The rating upgrade factors in the improvement in credit profile of the parent company, Island Star Mall Developers Private Limited (ISMDPL, rated at [ICRA]AA- (Stable)).

SOMDPL is a wholly-owned subsidiary 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). 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. The promoter group PML and its partnership with CPPIB, with a demonstrated track record in real estate development lends exceptional financial flexibility to SOMDPL. ICRA expects ISMDPL to extend financial support to SOMDPL, given its strategic importance and to protect its reputation from the consequence of a subsidiary's distress. The rating notes the attractive location of the mall. It has good connectivity to key city areas including an upcoming metro line in its premises and has an attractive catchment area due to the presence of many residential and commercial developments, which are likely to support healthy footfalls.

With minimal leasing in the recently completed office project by SOMDPL – Phoenix Asia Towers, Bangalore, (integrated with Phoenix Mall of Asia, Bangalore) with a leasable area of around 0.8 msf, it is exposed to high market risk. ICRA notes that the office project is funded from internal accruals and undrawn LRD loans taken against the retail malls. Consequently, slower-than-expected ramp-up in office leasing is also 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. The company is exposed to geographical and asset concentration risks, which are inherent in companies with single projects. In addition, SOMDPL's credit profile remains exposed to adverse macroeconomic and force majeure events, which could impact the tenant's business risk profiles and occupancy levels.

The Stable outlook reflects ICRA's expectation that SOMDPL will be able to sustain healthy occupancy levels for the retail mall and maintain strong debt protection metrics.

Key rating drivers and their description

Credit strengths

Healthy leasing and ramp-up in trading occupancy for mall operations; comfortable debt protection metrics – The mall's committed leasing stands healthy at 91% as of December 2024 and there is an improvement in trading occupancy to 75% in 9M FY2025 from 49% in 9M FY2024, supported by ramp-up in footfalls and trading values, which is expected to sustain in the medium term. The mall has signed long-term lease agreements with reputed tenants viz Inox, Zara, Home Centre, H&M, etc, with top 10 tenants occupying 28% of the chargeable area. Backed by healthy leasing and low debt levels, the leverage as reflected by Debt/NOI is projected to remain low below 5.0 times in the medium term. Moreover, given the low leverage and healthy cash flow from operations, its coverage metrics remain strong.

Location-specific advantage and good connectivity – The mall has an operational retail leasable area of ~1.2 msf and recently completed office space of around 0.8 msf. The location of the asset has good connectivity to the key city areas including an upcoming metro line in its premises 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 – SOMDPL is a wholly-owned subsidiary of ISMDPL, 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. The promoter group PML and its partnership with CPPIB, with a demonstrated track record in real estate development lends exceptional financial flexibility to SOMDPL.

Credit challenges

Exposure to high market risk for office space – With minimal leasing in the recently completed office project by SOMDPL – Phoenix Asia Towers, Bangalore, (integrated with Phoenix Mall of Asia, Bangalore) with a leasable area of around 0.8 msf, it is exposed to high market risk. ICRA notes that the office project is funded from internal accruals and undrawn LRD loans taken against the retail mall. Consequently, slower-than-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.

Geographical and asset concentration risks; vulnerability to external factors – As SOMDPL 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, SOMDPL'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: Adequate

The company's liquidity position is adequate. With healthy leasing levels, its cash flows are expected to remain adequate to meet the debt repayment obligations in FY2026 and FY2027. There are no major expansion plans in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a 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. 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 a 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 5.5 times on a sustained basis. Any weakening of the credit profile of parent entity, ISMDPL, could lead to a rating 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** ICRA expects ISMDPL to extend financial support to SOMDPL, given its strategic importance and to protects its reputation from the consequence of a subsidiary's distress.
Consolidation/Standalone	Standalone

About the company

Sparkle One Mall Developers Private Limited is a wholly-owned subsidiary of ISMDPL, a 51:49 subsidiary of PML and CPPIB. The company has developed a retail mall in Bangalore, Phoenix Mall of Asia, at a gross leasable area of 1.2 msf in the retail space, which got operationalised from October 27, 2023. Further, the company recently completed and received OC for Phoenix Asia Towers, in Bangalore, with a leasable area of around 0.8 msf in the office segment.

Key financial indicators (audited)

SOMDPL Standalone	FY2024
Operating income	90.5
PAT	17.7
OPBDIT/OI	56.6%
PAT/OI	19.5%
Total outside liabilities/Tangible net worth (times)	0.3
Total debt/OPBDIT (times)	3.7
Interest coverage (times)	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; mall started operations in FY2024

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	400.00	[ICRA]A+ (Stable)	-	-	02-JAN-2024	[ICRA]A (Stable)	04-OCT-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**	FY2022	NA	FY2034	400.00	[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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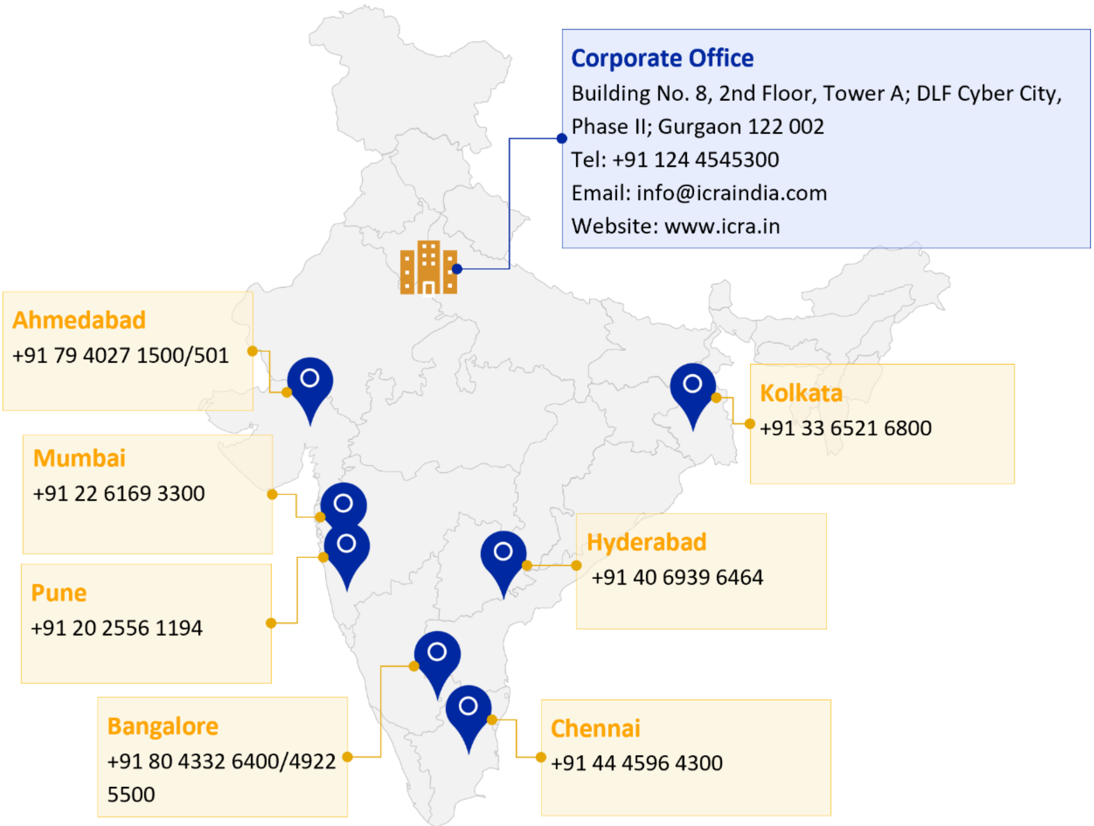

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