

August 12, 2024

Mindstone Mall Developers Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	635.00	[ICRA]BBB+ (Stable); assigned
Total	635.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating favourably factors in the synergies derived by Mindstone Mall Developers Private Limited (MMDPL) as a part of the Phoenix Mills Group, which 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). It enjoys strong brand strength and operational track record of over three decades. MMDPL is a 51:49 joint venture (JV) of Phoenix Mills Limited (PML) and Canada Pension Plan Investment Board (CPPIB), which lends strong financial flexibility. The rating notes the favourable location of the project, at Diamond Harbour Road, Alipore, in Kolkata. It is in proximity to key commercial and residential areas, supported by good road infrastructure, which is likely to aid healthy footfalls and marketability of the project. The rating derives comfort from the low leverage with debt to equity mix of 59%:41%. Further, the funding risk of the project remains low as the entire debt requirement has been tied up and the entire committed promoter contribution has already been infused as of March 2024.

The rating, is however, constrained by the moderate execution risk of the project, wherein ~83% of the total construction cost is yet to be incurred as of December 2023. However, adequate buffer is available against the scheduled date of commencement of commercial operations (DCCO, September 2027), which mitigates the risks to an extent. The rating is also constrained by the high market risk in the project with nil pre-leasing as on date. However, the company is in discussions with multiple reputed brands and expects to achieve adequate leasing progress before the commencement of the project. Further, the promoter's healthy track record in executing and operating large malls with healthy occupancy levels mitigate the risk to an extent. The company is exposed to geographical and asset concentration risks, which are inherent in companies with a single project. ICRA notes the vulnerability of its revenues to external factors caused by adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles.

The Stable outlook on MMDPL's rating reflects ICRA's expectation of timely commencement and adequate leasing progress to be achieved prior to DCCO, supported by the synergies from the PML Group.

Key rating drivers and their description

Credit strengths

Strong sponsor profile – MMDPL is a 51:49 JV of PML and CPPIB, which lends strong financial flexibility to MMDPL. The PML Group is one of 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.

Location-specific advantage and good connectivity – The project is expected to have retail leasable area of ~1.0 msf. The mall is in Diamond Harbour Road, Alipore, in Kolkata and in proximity to key commercial and residential areas, supported by good road infrastructure, which is likely to lead to healthy footfalls and marketability of the project.

Comfortable leverage and low funding risk – The leverage level of the project is comfortable with debt to equity mix of 59%:41%. Further, the funding risk of the project remains low as the entire debt requirement has been tied up and the entire committed promoter contribution has already been infused as of March 2024. Moreover, all approvals required for commencement of construction have been received.

Credit challenges

Exposure to moderate execution risk – The project remains exposed to moderate execution risk as ~83% of the total construction cost is yet to be incurred as of December 2023. However, adequate buffer is available against the scheduled DCCO (September 2027), which mitigates the risks to an extent.

Exposure to high market risk – The project is exposed to high market risk with nil pre-leasing as on date. However, the company is in discussions with multiple reputed brands and expects to achieve adequate leasing progress before the commencement of the project. Further, the promoter's healthy track record in executing and operating large malls with healthy occupancy levels mitigate the risk to an extent.

Geographical and asset concentration risk; vulnerability to external factor – As MMDPL is a single project special purpose vehicle (SPV), it is exposed to geographical and asset concentration risks, which are inherent in single project companies. Further, MMDPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles.

Liquidity position: Adequate

As of December 2023, the project had pending cost of Rs. 863.2 crore, which will be primarily funded by the sanctioned debt of Rs. 835 crore and available liquidity/security deposits. Further, the entire equity contribution of the project has been already infused by the promoters. The company had unencumbered bank balances and liquid investments of Rs. 19.8 crore as on March 31, 2024.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company achieves significant ramp up in its leasing at adequate rental rates as well as project construction progress in a timely manner without any material cost overruns.

Negative factors – Cost overruns or unforeseen delay in completion of the project or considerable delays in lease tie-ups could exert negative pressure on MMDPL's rating.

Analytical approach

Analytical Approach	Comments			
Applicable rating methodologies	Corporate	Credit	Rating	Methodology
	Realty	Lease	Rental	Discounting (LRD)
Parent/Group support	Not Applicable			
Consolidation/Standalone	Standalone			

About the company

Mindstone Mall Developers Private Limited is a 51:49 subsidiary of Phoenix Mills Limited and Canadian Pension Plan Investment Board (CPPIB). The asset is a part of the PML-CPPIB platform and is involved in the construction of a retail mall, Phoenix Grand Victoria in Kolkata with a gross leasable area of 1.0 msf. The project's total cost for mall is Rs. 1,410 crore and has scheduled commercial operation date of September 2027.

Key financial indicators

Not applicable being a project stage entity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Aug 12, 2024	-	-	-
1	Term loans	Long term	635.00	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
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 Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	April 2024	NA	March 2036	635.0	[ICRA]BBB+ (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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Branches



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