

## North Delhi Metro Mall Private Limited

June 27, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-fund Based Bank Guarantee	20.0	20.0	[ICRA]A4; Reaffirmed
<b>Total</b>	<b>20.0</b>	<b>20.0</b>	

### Rating action

ICRA has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 20.0-crore bank facilities of North Delhi Metro Mall Private Limited (NDM).

### Rationale

The reaffirmed rating continues to factor in the fact that the company's project remains stalled owing to continued funding-related issues. However, ICRA favourably factors in the change in NDM's ownership and fresh funding received in Q1 FY2019 from the sale of the combined 49% stake to Virtuous Retail South Asia Pte Limited and Moribus Holdings Pte Limited, which augurs well for planned progress going forward. Extensive experience of the MGF Group, still being the majority stakeholder in NDM, to construct and operate several malls continues to positively impact the rating. While the commencement of construction is in sight, ICRA notes that various project approvals need to be renewed and that the new ownership is considering change in the scope of the project. Further, market risks continue to persist as no agreements are in place as of now. Going forward, the company's ability to secure adequate funding and approvals and revive the project's progress will be the key rating sensitivities.

### Key rating drivers

#### Credit strengths

**Extensive experience of promoters in construction and operation of malls** – The MGF Group has extensive experience in constructing and operating a number of malls in Delhi, Gurgaon and Jaipur. Similarly, Virtuous Retail, a joint venture of The Xander Group Inc and Dutch Pension Fund APG, has moderate experience of running three malls in Chandigarh, Chennai and Bangalore, while the fourth one in Surat is currently under construction.

**Fresh funding supports construction progress** – While the progress of the construction was halted in the absence of funding from financial institutions, the fresh funding from the foreign investors broke the status quo. Out of the total Rs. 78 crore received in the form of debentures, Rs. 32 crore was utilised to clear off dues to Delhi Metro Rail Corporation (DMRC). Further, the construction awaits approval of fresh building plan and the previously built structure is currently being demolished. ICRA notes that the bank guarantee extended to DMRC has been extended and renewed.

## Credit challenges

**Risk of cost and time overruns due to pending approvals and absence of external debt** – The building plan approved by Municipal Corporation of Delhi (MCD) for the construction of mall expired in June 2018 and other approvals along with it. While the fresh building plan approval is currently under process, the timeline of the completion of the project is still unclear as the entire project will undergo a change. Consequently, the new scope, costing and funding plan is yet to be decided. However, the responsibility to raise the external debt now lies with the Xander Group-backed investors.

**Market risk persists as occupancy remains a challenge** – With no completion timeline of the project construction in sight, future plans of generating substantial cash flows on time remains unclear. A major chunk of the concession period will get over within the next five years. Therefore, the occupancy required for the project to be profitable will be a challenge.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

[Rating methodology on real estate entity](#)

## About the company

North Delhi Metro Mall Private Limited (NDM) is a special purpose vehicle (SPV) incorporated for the purpose of development, construction, finance, operation and maintenance of commercial complex admeasuring ~5 hectares of land in the Khyber Pass region in New Delhi. The SPV is a part of the MGF Group which includes Group companies like MGF Developments Limited and MGF Automobiles Limited as its sponsors. In June 2018, about 49% of the stake of NDM was sold off to Virtuous Retail South Asia Pte Limited and Moribus Holdings Pte Limited. Thereafter, the fresh scoping of the project started being carried out and is still under progress.

In FY2017, the company reported a net loss of Rs. 9.75 crore on nil operating income (OI) compared with a net loss of Rs. 9.88 crore on nil OI in FY2016 as well.

## Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	0.0	0.0
PAT (Rs. crore)	-9.88	-9.75
OPBDIT/ OI (%)	-	-
RoCE (%)	-	-
Total Debt/ TNW (times)	0.83	0.15
Total Debt/ OPBDIT (times)	-5.43	-1.45
Interest Coverage (times)	-18.12	-24.93
NWC/ OI (%)	-	-

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for last three years**

<b>Current Rating (FY2019)</b>					<b>Chronology of Rating History for the past 3 years</b>		
<b>Instrument</b>	<b>Type</b>	<b>Amount Rated (Rs. crore)</b>	<b>Amount Outstanding (Rs. crore)</b>	<b>Date &amp; Rating</b>	<b>Date &amp; Rating in FY2017</b>	<b>Date &amp; Rating in FY2016</b>	<b>Date &amp; Rating in FY2016</b>
				<b>June 2018</b>	<b>January, 2017</b>	<b>January, 2016</b>	<b>July, 2015</b>
1 Bank Guarantee	Short Term	20.0	20.0	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4

**Complexity level of the rated instrument**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Bank Guarantee	NA	NA	NA	20.0	[ICRA]A4

Source: NDM

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